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Brexit and the European Union in the Context of Globalization

José Renato Gonçalves

1. Several circumstances were and are still core to the numerous international economic integration processes undertaken over the last few decades, particularly since the end of World War II, first and paradigmatically on the European continent and then in several other parts of the world.[1]

The reasons behind the need for international political and economic cooperation in an increasingly interdependent world are evident, namely, because everyone can now acquire goods produced in almost all points of the earth. Since the problems are no longer restricted to national borders, the solutions require combined measures by several States or the engagement or even the creation of new international bodies. The attention of researchers into the economic and political integration between countries has focused on the reasons and bases of this innovative process and the implications it carries, including the imposition of substantial, intense and apparently "definitive" restraints on States' sovereignty, which has for a long time been restricted by the expansion and exigency of international

J.R. Gonçalves (✉)
CIDEEFF, Lisbon University School of Law - Faculdade de Direito da Universidade de Lisboa, Alameda da Universidade - Cidade Universitária, Lisbon, Portugal

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relations, based above all on interstate cooperation, but States have never been as badly hit as in the recent situations of international economic "integration".

2. State sovereignty has never been considered an absolute reality and is understood within the context of recognition and relations between several sovereign entities, which make up a whole, to wit, the international community. The notion of sovereignty is therefore compatible with the States' legal binding to fulfil international duties. Accordingly, when it is stated that States enjoy total freedom to choose their economic and social regime, under any attempt by other States to interfere, according to article 2(1) of the Charter of Economic Rights and Duties of States, of 1974, this does not mean denying the evident and indispensable coexistence, on equal terms, of each sovereign State in relation to other States, likewise sovereign entities.[2]

As such, the United Nations Declaration on Principles of International Law concerning Friendly Relations and Co-operation among States [General Assembly Resolution 2625 (XXV)], of 24 October 1970, expressly recognizes that all States are equally sovereign: they have the same rights and duties and are members of the international community, regardless of their economic, social, political or other differences. This means that "each State has the right freely to choose and develop its political, social, economic and cultural systems" [*e)*], and that "[each State] has the duty to comply fully and in good faith with its international obligations and to live in peace with other States" [*f)*].

This traditional framework that explains the relations between sovereign States was not questioned by the successive and increasingly frequent economic relations based on international cooperation, generally driven by the reciprocal benefits of such relations, which are susceptible of being exploited by all players, public or private, legal persons or private individuals, particularly those that are most directly involved in these international relations, producers and consumers, exporters and importers, whose number has grown exponentially as international trade has grown also and become mainstream. This is the same as saying the increasing economic interdependence among the various countries, which led to the possible consumption by any one person, regardless of where they are on the planet, of any good produced anywhere else in the world, near or far, given his or her preference and choice.

The acts of political and economic cooperation among States to harmonize rules have generally reduced the barriers on international trade—by lowering customs duties; forbidding certain discriminatory practices against foreign products, services and producers or suppliers; demanding transparency of procedures; promoting good governance; and committing to the fight against corruption and other criminal behaviour. As a result, economic interdependence grew owing to the gradual globalization of exchanges, a centuries-old process that began in the fifteenth and sixteenth centuries with the Portuguese and the Spanish, and later developed by the Dutch and the British, until at least the end of the nineteenth century and beginning of the twentieth century, when, on the eve of World War I, the level of economic openness towards the outside was extraordinarily high, and did not just include the international trade of goods but also financial markets, based precisely in the City of London, as well as the free circulation of people, with an unprecedented number of migrants, even from different continents (mostly from Europe to America).

3. The informal international economic integration process that was carried out on a worldwide scale in the period prior to World War I was not based on minimally solid institutional pillars, but rather, essentially, on the will and tolerance of States, particularly the ones with greater economic relevance, in the sense that they not only allowed but also protected, unilaterally yet effectively on the political and legal levels, the aspirations of the players engaged in the international economic relations.[3]

The obvious institutional and legal weakness of the international economic order at the end of the nineteenth and start of the twentieth century made its collapse easier, when faced with the difficulties exposed by the growing mistrust towards foreigners, which worsened in the following years. Accordingly, this would only conform to nationalist and protectionist economic measures, inevitably intensified as the armed conflict initiated and escalated as of 1914.

Nationalist and protectionist policies predominated in several countries in the world up to the end of World War II in 1945. Their basic instruments were strict import and export quotas; the prohibition of international trade of certain goods with several countries deemed adversary or enemies; extremely high customs duties, rigid constraints on international financing and the circulation of capital, as well as of payments, plus the respective operations, were subject to casuistic clearing decisions grounded above all on political criteria, alongside other quantitative restrictions on imports and exports among various States, by all sorts of more or less declared or underlying confrontations, due to the growth in uncertainty and mistrust in international relations.

When the prejudicial economic consequences of nationalistic and protectionist political positions and measures (typical of explicit or latent armed conflict) were acknowledged, several negotiation processes were kick-started with the aim of finding new ways of international economic relations that could be in force following the end of war. These ways were not as based on nationalism and protectionism as during the inter-war period, but rather on the openness towards the outside and the non-discrimination of foreigners and among foreigners, or of goods according to their origin, to try to foster the creation of wealth with more predictable and long-lasting foundations, that would ultimately benefit all peoples, in a cosmopolitan perspective rather than just having some peoples against the others.

4. The new international economic order that began to be designed at the end of World War II was to be put in place as quickly as possible after the end of the conflict, as agreed at the Bretton Woods conference in New Hampshire, United States of America, in the summer of 1944. The establishment of an International Monetary System and an International Monetary Fund (IMF) was agreed on at this conference. The organization would be tasked with managing the monetary order, with the main goal of allowing, facilitating and ensuring international payments, required for international trade. It was later decided to set up a new international trade order, albeit in a relatively precarious and provisional manner at first, through an executive agreement, without solid and long-lasting institutional support, through the approval of the General Agreement on Tariffs and Trade (GATT) in 1947, that would only be gradually consolidated on a mostly factual basis given the failure in the negotiations at the Havana Conference in 1948, which envisaged the creation of an International Trade Organization and the entry into force of the Havana Charter (whose Part IV was the GATT), but which, nonetheless, would not be approved by the States.

With the purpose of setting up a new international economic order guided by non-discrimination towards the origin of goods or nationality of producers, the General Agreement did not yield immediate major impact effects on a global scale. This was above all due to its many weaknesses:

With regard to its legal founding—an *executive agreement* rather than an international treaty, as proposed at the Havana Conference with regard to the "Havana Charter);
As to the lack of a minimally consistent and stable institutional basis—the envisaged International Trade Organization, which was established in the Havana Charter, was never actually created;
As to the restriction of its geographic scope—although it included the most significant states economically at the time, it did not cover several countries that decisively expanded their respective international economic clout in the following decades and up to now;
Also with regard to its material scope—limited to goods.[4]

5. The new economic order was heavily criticized right from the very start, due to full or partial disagreement with its fundamental principles or simply the way in which these would be enforced, given the national specifications, which were often different to those principles, many times deemed prejudicial owing to the low level of the countries' development, without sufficient capabilities or motivation to face up to the added challenges of more openness to the outside and immediate subjection to international competition.

The first upfront rejection of the new world order was by the socialist-driven countries, whose economies were guided by the principle of central management, contrary to the market and to the freedoms of economic and entrepreneurial initiative, as well as owing to profit, characteristic of the capitalist economies. The Union of Soviet Socialist Republics (USSR) and several other countries under its direct influence coherently rejected the GATT.

A sort of "iron curtain" (a term Churchill made famous) had descended on Europe, from North to South, dividing it in two for a long time—East and West. The Eastern economic conception, inspired in the Mercantilism and Nationalism trends typical of closed economies, lasted and influenced other alternative conceptions to the prevailing economic regime, accepted in countries under Soviet influence and other socialist countries in several parts of the globe, from Latin America to Africa and Asia.[5]

Another reaction criticizing the international economic order came from less-developed countries, or developing countries, which then formed the "Non-Aligned Movement". In general, they understood that the major goal of development could only exceptionally be followed in a context of decreasing national barriers to trade, with good growth perspectives for industrialized countries only, whose income and wealth would tend to grow at very high levels, difficult to reach by less-developed countries due to their greater relative weaknesses.

This political position garnered a notable media and diplomatic impact and several decisive results, including the first major revision of the GATT, in which non-reciprocity and a more favourable treatment to less-developed countries were preferred, that is, in economic relations between the "Northern" and "Southern" hemisphere countries.

This more favourable treatment to developing countries in Western Europe and North America was reflected in the cooperation and development assistance agreements signed in the following years and up to now,[6] envisaging a heightened reduction or even elimination of customs on the import of goods, leading, in the end, to the recognition of a true and special status for less-developed and developing countries in the framework of the WTO agreements.

Other criticism was made to the prevailing international economic order, or certain parts of it, as asymmetric functioning of the international monetary system, high environmental risks owing to growth, worsening of international inequalities, increasing the number of those "discontents" with this "globalization".

6. Alongside the consecutive strengthening of international economic cooperation, a reflection of the perceptions favourable to its deepening due to the benefits it brought, according to the classical and neoclassical explanations of international trade given by David Ricardo in his theory of "comparative advantages",[7] a new means of relations between countries arose with great might: the international "economic integration". These countries were independent yet close, not just from the geographical point of view, but also in terms of their cultural, political, economic and

legal realms. Several means of international economic integration were known, but they would only grow and characterize the structure of a large part of the world economy after World War II.

The "Customs Union" was at the start of the process that led to the German unification in the nineteenth century, with priors since 1818 and consolidation in 1833, leading up to the creation of the German Empire in 1871. The free trade area was also known; and it is unnecessary to mention the separate phenomenon of national economic integration, within the State territory, which in principle comes before the eventual participation in an international economic integration agreement.[8]

A free trade area presumes freedom of circulation of goods among the participating territories of States or autonomous customs territories, without compromise as to the unification of customs duties applied by the various partners that make up the free trade zone in the economic relations with "third countries". This allows situations of "trade diversion" to make the most of lower customs duties levied by some States in the union. Among the many examples of free trade areas, we can find the European Free Trade Association (EFTA), created by the United Kingdom in 1960, under the Stockholm Treaty,[9] and, more recently, the North American Free Trade Agreement (NAFTA), set up by Canada, the United States and Mexico on 1 January 1994.[10]

7. In addition to the freedom of circulation of goods among the territories of the States or the autonomous customs territories that make it up, obviously without the possibility of imposing or levying any customs duties upon entry or exit of the goods from these territories, the customs union requires the adoption of a Common Customs Tariff for the whole union, both for the import and export of goods. From a perspective of customs duties and other rules on imports and exports, the setting is as though the territories of the various countries that are part of the customs union form one single unit throughout which no customs duties or other measures to restrict the circulation of goods are allowed. The requirement of customs duties or other import or export measures is only for the entry or exit of goods to and from "third countries" that are not part of the customs union.

Unlike what happens in a free trade area, where different customs duties can be levied by the various member States in their relations with third countries, the Common Customs Tariff renders any situations of "diversion of trade" useless. Besides the historical example of the German *Zollverein,* it suffices to note the undoubtedly most paradigmatic of all customs unions (as it became the template for many customs and economic unions created since the 1950s in all corners of the globe, from the Americas to Africa and Asia and Oceania): the European Economic Community (EEC), which currently corresponds to the European Union.[11]

8. As for international economic integration, it is worth distinguishing between its main classifications. Among those most frequently used,[12] we find, regarding the economic scope covered, (*i*) sectoral or "vertical" integration, which involves only one sector or certain sectors of activity (this is the case with the ECSC—European Coal and Steel Community), and (*ii*) general or "horizontal" integration, which encompasses all the economic sectors of the participating countries (cases with the EEC-EC-EU, NAFTA, Mercosul), and, according to Tinbergen (1965), (*iii*) "negative" or passive integration and (*iv*) "positive" or active integration, depending on whether the focus is essentially the elimination of means of discrimination and restriction on trans-border circulation of goods with the aim of trade liberalization ("negative" integration), or, more so than that, changes to instruments and institutions, or the creation of others, with a view to promoting the efficient functioning of markets. This runs alongside other goals, economic and social or wider ("positive" integration), or the opposition, by Lawrence (1996), between (*v*) shallow integration and (*vi*) deep integration, trying to show the differentiated joining of developing countries in relation to the established international trade system.

Given the level of international economic integration, how deep it is, it is usual to distinguish the process using the following categories (with differing variants):

- (*i*) Free trade area (e.g., the EFTA);
- (*ii*) Customs union (e.g., the German *Zollverein*);
- (*iii*) Common market ["single market", "internal market"—the formulas successively used by the European Economic Community (EEC), the European Community or European Communities (EC) and the European Union (UE), as the subsequent ones];
- (*iv*) Economic union (to a certain extent, and with successive progress, e.g., the European Economic Community, the European Communities and the European Union);

– (*v*) Monetary union (or else economic and monetary union, as the European Economic and Monetary Union - EMU - of the European Union, including the Euro);
– (*vi*) Tax union (to some extent, e.g., the European Community/ Communities and the European Union);
– (*vii*) Fiscal union (or else fiscal and tax union)(to a minor extent, e.g., the European Community/Communities and the European Union);
– (*viii*) Political union (Union of States)(with some traces, e.g., the European Union).

Although customary, it is not thorough to refer to "phases" or "steps" in international economic integration because nothing imposes one or another sequence for approximation or standardization of national economic regimes, with or without a time lag between them, although there may be strict interconnections between the various categories or ways listed above, which justify that the adoption of one of them (for instance monetary union) is preceded by other, or parallel to them. Some States may decide to create a political union at a certain point, coinciding or not with other integration scales. The German reunification following the fall of the Berlin Wall is elucidative of this.

9. As for the compatibility of the diverse means of economic integration with the principles of the international economic order in force, it is worth noting that the GATT and the WTO's cornerstones are non-discrimination, which is seen in their clauses of Most Favored Nation (MFN) (Article I of the GATT) and of National Treatment on internal taxation and regulation (Article III). As a rule, all members of the WTO have the right to being treated as Most Favored Nation by all remaining members.

One of the exceptions to the Most Favored Nation clause concerns less-developed countries, while the other respects to the situations of international economic integration—especially customs unions and free trade areas—but only if the agreement establishing this, or the provisional agreement that envisages its respective creation, does not contain provisions on customs duties and other trade regulations to be applied in the territories of WTO members that are not part of the union or area to be set up, which are as a whole higher or more restrictive than the prior general incidence of the trade duties and regulations applicable in the territories that decided to set up the customs union or free trade area and, if it's a provisional agreement, of being a programme for the establishment of the customs union or free trade area in a reasonable timeframe (cf. Article XXIV-4 and seq. of the GATT).

Since the general rule of the WTO is non-discrimination, any advantage granted by one member to another is automatically extended to all other members. With the exception of the advantages granted to adjacent countries to facilitate frontier traffic [Article XXIV-3-*a)*], and, above all, the more favourable treatment granted by developed members to less-developed members, of which they "do not expect reciprocity" with regard to the commitments undertaken (Article XXXVI-8 of Part IV—Trade and Development, introduced in 1965), the situations of "closer integration between the economies" of the participating countries in order to "increase the freedom of trade", "through voluntary agreements", are also allowed.[13]

10. The regional economic blocs, with their many configurations beyond the traditionally recognized ways, including the possible decision of integrating labour markets, make the respective assessment under the WTO law more complex (cf., for instance, Articles V and V-A of the GATS—General Agreement on Trade in Services).[14]

In any case, it is commonly acknowledged that the international economic integration agreements and organizations may contribute, and have effectively contributed, to the gradual consolidation of an international order that is more favourable to exchanges, characterized by the freedom of entering and trading goods produced abroad, as well as foreign service providers or those set up in the territory of other States, without discrimination between them and also with regard to national goods, producers and services.

Assuming the customs duties or other measures to restrict the circulation of goods and production factors between the parties of a regional economic bloc and third countries are not exacerbated, the greater economic openness within the bloc will contribute towards greater global economic liberalization, despite being restricted to that geographical scope and sectors covered, with the specificities agreed. Notwithstanding, the consistent and persistent evolution towards increasingly greater international economic integration over the last few decades, with rare moments and areas of exception, is not enough to rule out the chance of international economic disintegration—which for a long time seemed completely at bay, and more theoretical than practical, but it never disappeared, as the Brexit referendum abruptly showed beyond doubt in June 2016.

Within the scope of the less stringent economic cooperation, we can accept, at least implicitly, a clear trend towards a persistent evolution heading to a gradual adoption of the main principles of the international order in force, based on the GATT and the WTO. The dissenting positions to the international trade system seemed to be almost always understood as exceptional or transitory, regardless of the severity of some of their manifestations. The rejection of conventional solutions based on the founding principles of the international economic order was frequently underestimated, either due to its limited number, or to its alleged minor and temporary economic impact on an international scale—a sort of recurrent intervals in a long line of trends, surely subject to breaks, "hesitations" or "indecisions", but not a true change in direction or course.

11. But the crises that have arisen over the last few decades, sometimes quite serious, and other specific harmful effects that are frequently linked with the structure of the current international economic order, particularly those relating to the persistence and worsening of economic and social inequalities, as well as the issue of sustainability of high growth rates and their respective environmental impact, have increased uncertainty and doubt as to the future.

There has been no shortage of repeated proposals for a new international economic order, guided not predominantly by economic goals, rather more encompassing purposes—social, political, cultural, environmental—that are highly difficult to assess in all their scope using quantitative criteria only, requiring a weighting of methods and criteria and the inclusion of varied qualitative aspects.[15]

The enormous relevance of all these "new" issues of international coexistence imposes a judicious reflection in the light of the concepts of social market economy and democratic rule of law: they matter and the greater or lesser economic and social progresses in the countries cannot be overlooked. This is whether the growth is "high", "balanced" and "sustainable", measured in absolute or relative terms with identified goals, socially fair, without excluding productivity and competitiveness indicators, dependent on several "endogenous" and "exogenous" factors, "economic" and "non-economic", among which those relating to corporate modernization and other mechanisms for the functioning of the economy as a whole in an advanced society, opened to the world and all innovations and respective use.

International economic cooperation and integration are therefore still commonly understood as one of the most powerful and effective instruments for the expansion and harnessing of economic advantages by those who desire it, which doesn't mean that it is an egalitarian or fair way of sharing those advantages, whether between the countries or the people within each country—because in fact it isn't—, with the aim of using economies of scale and agglomeration, technological spillover relating to intangible goods, management and marketing skills, in addition to the international experience, capable of contributing to an increase in productivity in companies and sectors, as sustained generally by the international economics and economic growth and development theorists.[16]

12. The participation of practically all the countries of the world in international trade has grown continuously since the current economic order was adopted following World War II.

Between 1950 and 2007, international trade has grown on average and in real terms more than 6% per year, albeit in geographically differentiated ways—much greater growth in countries with a capitalist economy, specifically given the active policies of industrialization and replacement of imports adopted by countries from the "socialist bloc", as well as the countries from the "less-developed or developing bloc", up to the gradual adoption by these two "blocs" of the prevailing economic system, market based. Economic growth has also substantially increased, both in absolute terms—3.8% on annual average of GDP, between 1950 and 2007—, as per capita terms—2% on annual average of GDP—in all countries of the world, with noticeable differences along the periods: the annual growth in GDP was much greater from 1950 to 1973 (5.1% per year) than from 1974 to 2007 (2.9% per year), including in per capita terms (respectively, 3.1% and 1.1%).[17]

At the same time, the level of regional specialization of industrial production has decreased (according to data compiled by Krugman): the level of regional specialization decreased from around 0.7 in 1860 to 0.6 in 1880, it increased to 0.75 in 1900 and came close to 0.9 from 1914 to 1939, to then lower continuously to just over 0.8 in 1947, to around 0.65 in 1958, around 0.55 in 1967, around 0.5 in 1977 and around 0.45 in 1987... Always without prejudice to the local, national and regional specificities (differentiated levels of development, very distinctive economic structures, as well as diverse economic and political regimes, differing growth rates, either converging or diverging, own cultures), and even more decisive, without prejudice to the more or less "fair" results of the evolution seen.[18]

The historic trend of growing international economic cooperation and integration (or, simply, "globalization"), which we have already noted, does not exclude areas where the phenomenon did not propagate or where it propagated only restrictively, or "hesitation" or "indecision" intervals, or even the idea of changing course, for the most various reasons and with differing intensity and duration: in the period between the World Wars, in the 1970s and start of the 1980s with the oil crises, and more recently still with other international economic and financial crises, with varying severity and intensity, long or short in time, in the 1990s and start of the millennium, in several countries of the world, as well as at the end of the first decade of this century, with the major global economic and financial crisis of 2008–2009, triggered by the so-called "sub-prime" crisis in the United States in 2007–2008, the repercussions of which quickly became global or near-global, due to the mentioned growing interdependence of several economies, at levels that were undoubtedly greater than in the past.

From a strict economic perspective at least, the greater internationalization of most of the world's countries and the ensuing more intense international interdependence, albeit mostly based on legal instruments of (mere) international cooperation, already substantially reflects a sort of economic integration, certainly still with a fragmented and largely informal nature, as it is carried out through the repetition of numerous acts and relations of millions of subjects and operators, without being fully translated into integration agreements, although impeding the standardization at a global scale of economic regimes, without distancing convergence of criteria and solutions. These are sometimes done through tenuous and unnoticeable ways, without prejudice to the names and other specificities remaining different owing to the national legislations, on which States maintain, without doubt, full sovereignty, which does not waive those in charge from thoroughly weighting all the implications of the choices made.

13. In the international economic integration process, the diversity inherent to the various States has been gradually replaced in several aspects and scales by a new legal and economic reality with growing common traces,

whether from a material perspective, as institutional and procedurally-wise. The standard and typical national diversities, with a few coinciding policies, or not coinciding at all, have led in certain fields to identical solutions, increasingly shared by groups of States when faced with certain challenges that are henceforth dealt with in common, through "bloc" policies and measures. These have possible variants, but only insofar as they do not jeopardize the action of the whole, normally from a stable institutional basis, legally binding, long-lasting and not just dependent on the interpretation of those currently in power—or else there is a risk of casuistry, being transitory, non-consolidation, contrary to the spirit of international integration.[19]

This is therefore characterized by the trend of permanence and convergence of institutional solutions in the regional bloc, but not the irreversibility of the process, because the States are the active subjects and are still the owners of these processes in which they freely accept to participate, under the terms they see fit to bind themselves to, at the most through international treaties, due to the predictable constant weighting of national values and interests. Accordingly, the committed involvement in international integration experiences and processes, for longer or shorter periods, and in highly diversified fields, does not prevent positions of greater or lesser acceptance, or rejection, when faced with projects that have higher or deeper thresholds of integration in a union that has already been formed, which may eventually lead to a full union of States, nor future positions contrary to those adopted beforehand, that may or not result in an eventual disintegration process, as happened with the United Kingdom in the European Union and then with Brexit.

Despite the impressive historic evolution over the last few decades, in international political and economic cooperation the diversity among the various States of the world continues to prevail. The areas for joint action continue limited and are generally insufficient to jeopardize the States' individually. As sovereign entities, these continue to fully exercise their powers, that is, they have normally the last word as to the definition of internal economic rules—so long as they don't breach the State's external obligations.

On the contrary, in international economic integration the bonding and unifying ties for the restricted set of participating States, even when limited to a field or certain fields of policies, sectors or activities—since they are not exceptional, casuistic or merely transitory—tend to become more encompassing or at least to last over time and consolidate, materially and institutionally, in one or more economic or social fields. In principle these are connected, with implications on the exercise of the State's sovereign powers, representing a full, near full or at least highly substantial proximity and unity of points of view and solutions in essential economic or social areas (for example the free circulation of goods and capitals, freedom of establishment, monetary policy...).

14. The endogenous and exogenous causes of the European integration process are frequently distinguished.[20] Among the endogenous causes we can mention, firstly, the concern with ensuring peace in the continent and, afterwards, the goal of fostering economic and social prosperity for its peoples. Among the exogenous reasons for integration, we can refer the dangers emerging from the Cold War, which opposed the two superpowers, the United States and the Soviet Union, and, indirectly, the countries included in their respective spheres of influence, Western and Eastern, on either side of the "iron curtain".

These concerns remained for a long time, albeit in understandably distinctive terms, variable in time depending on the countries and peoples that decided to join the European Communities from the 1950s, when the following were created: European Coal and Steel Community (ECSC) in 1952 and the European Economic Community (EEC) and the European Atomic Energy Community (EAEC or Euratom) in 1958, up to the present day, with the European Union (EU), which succeeded the European (Economic) Community and includes 28 member States (or 27 member States, excluding the United Kingdom, after the conclusion of Brexit, according to the article 50 of the Treaty on European Union).

As the years went by, fear of armed conflict, one of the major threats at the start of the European integration process gradually diminished until a while back. This was mostly after the fall of the Berlin Wall in 1989, and consequently also due to the end of the so-called "iron curtain" and Cold War between the major political, economic, and military blocs, which divided not just Europe but also a large part of the world at the time.[21]

Diversely, the goal of economic and social progress of the peoples remained highly relevant for the countries with weaker economic and social indicators, whether before the time of joining the regional European economic bloc, whether while these indicators were distant from the average of the group.[22] Similarly, the objective of consolidation of political democracy and in general the rule of law was not, and still it is not today recognized in an identical manner in the various EU Member States, especially in recent years and worryingly so in some of the new Member States from former Eastern Europe.

In any case, the national sovereign decision by a State to participate, continue to participate or cease to participate in a "regional economic bloc" or economic union, as the case of the European Union, does not have to fundamentally depend on a detailed cost/benefit analysis of the integration process at present and likewise in the future. Yet, as it is well known, past gains do not guarantee gains in the present and even less so in the future. Anyhow, even if the cost/benefit balance of the integration process is not just clearly positive for a country as it is possible or "easy" to calculate or estimate, nothing prevents that country from choosing to abandon the Union at a certain moment in history, unavoidably a (very) difficult one.

The mere protection by the State of its exercise of determined sovereign powers, which are restricted by integrating a union, under the terms of which those powers are exercised through a common institution, may lead to a decision to withdraw from the organization. Even if the economic balance between costs and benefits of remaining a member of the union is widely positive. Even if the economic and social costs, or those of another nature are very high, or too painstaking to bear, in the medium or long term, with probable harmful effects in several fields (for instance, loss of direct access to developed specialized and large scale markets on a global world, relocation of companies in specific sectors from national territory to other parts of the globe, with consequent loss of income, jobs and public revenue).

Even so, a member State of a union can always choose to consciously exit the partnership, for instance, with the goal of being able to decide on the respective future rules for the organization and functioning of its economy and society, namely, imposing certain limits on the entry into national soil of foreigners, to safeguard the security of its citizens, or simply to stop bearing the cost of hefty sums allocated to the Union's budget, choosing instead to apply those resources to modernizing national structures (education, health, transportation, etc.).

A different matter is determining if the ends that led to the decision to withdraw can be effectively pursued by the country out of the European Union and if the costs necessary to reach the intended goals are not (a lot) higher than the previous ones, stemming from participating in the bloc. More worrying though is if most of the studies drawn up by experts to identify and calculate the costs and benefits of participating in the Union conclude without any doubt that the price of exiting is clearly higher than the price of staying, and, even so, the country chooses to exit.

15. The volume of international trade has grown several dozen-fold since World War II and the flows of foreign investment have also increased, yet today we continue to experience a situation of "semi-globalization" (Ghemawat), because several aspects continue to reflect strong resistance from people and countries to international economic cooperation and integration, that is, to the growing interdependence between the various world economies, the same being applied to globalization. For example, according to some estimates, internet traffic between different countries has not yet reached 2% of the total traffic.[23]

In effect, the States' protectionist concerns are not relics from the past, they have been felt again and are gaining more clout and huge concrete projection, particularly at times of greater difficulty, uncertainty, fear and, in general, severe economic and social crisis, yet not necessarily crises that affect equally all, but mainly some groups in societies that are recurrently and worryingly social and economically fragmented. It could be worth observing that, according to several studies,[24] more than half the *Fortune 500* companies and about half of the companies with the fastest growth in the United States were generated at times of recession or when the markets were at a low, and that, apparently, the companies created at times of recession are better prepared to face up the challenges of expansion and adversity.

The gradual establishment of a regime close to liberalized trade at a truly global scale became possible mostly through the deepening of the phenomena of international economic cooperation and integration. This was as much at a regional or continental scale, as at a universal or quasi-universal scale, to a large extend due to the clear surpassing of bilateralism and its replacement with multilateralism, materialized by the GATT and more recently the WTO agreements, which were conducive to the current economic "globalization" level and trend, likewise reflected in several other fields, a sort of overview that characterizes the persistent and incredibly strong trend of the growing economic interdependence among all or almost all the countries in the world and their respective crucial institutions, whether political or legal, economic or social and cultural.

16. There has undoubtedly been a world economy since the fifteenth–seventeenth centuries, which in the meantime very gradually settled and strengthened, without nonetheless having to overcome numerous and quite often difficult setbacks, until reaching a state of substantial structuring, nowadays, around a series of specific international organizations that were created following World War II.

There are glimpses of economic globalization in many works, such as Adam Smith's *The Wealth of Nations,* where the advantages of having international trade without barriers are heightened, so that the advantages of the division and specialization of labour can be fully exploited. About a century later, Karl Marx also referred to a universal market for trade and finance. More recently, in different fields of knowledge, several authors have drawn on theories of globalization. Teilhard de Chardin, for instance, imagined a society where everyone would communicate among one another, and Marshall McLuhan forecast the creation of a "global village" owing to progress made and the dissemination and access by all audio-visual means.

Globalization is effectively much more than a simple increase or development of the "internationalization" of the national economies. It presumes a veritable qualitative leap, way beyond the mere expansion of international trade and means of cooperation, with a view to, namely, the reduction and suppression of customs barriers and the growing integration among the various countries. Without prejudice to the persistence of several discontinuities and breaks, trade is already carried out or can be carried out virtually, almost borderless, in practically the whole planet. And, since it is justified to mention economic globalization, one can also talk about political, legal, social, cultural, ecological globalization.

No matter how important the major regional economic blocs are—ranging from the European Union to NAFTA (North American Free Trade Agreement), from Mercosul/Mercosur to APEC (Asia-Pacific Economic Cooperation)—in the future most trading will probably be done at a global scale, that is "above" or "beside" those or other major regional economic blocs, especially until the negotiations on the larger trans-pacific and transatlantic partnerships are resumed and the agreements enter into force [Trans-Pacific Partnership (TPP) and Transatlantic Trade and Investment Partnership (TTIP)], in spite of the relevance that other partnerships may take on, such as the Comprehensive Economic and Trade Agreement (CETA) between Canada and the European Union.[25] Trade inside the major three world geographical zones (American, Euro-African and Asian-Pacific) accounts for about half of all international trade in the world, while the remaining half is done indiscriminately between all the countries, under global institutions such as the WTO, the IMF and the UNCTAD,[26] in accordance with the provisions they define.

Time of globalization is characterized by (*i*) economic transactions carried out in real time, thanks to the advances in information technology and telecommunications systems, particularly e-mail and the internet; (*ii*) permanent stock markets that operate almost continuously (there is a 20-hour difference between the opening of the Sidney market and the closing of San Francisco); (*iii*) worldwide financial and monetary markets, including of derivatives (options, futures); (*iv*) the use of the same language (English). Given a new (quasi-) global system, with challenges at a planetary scale, with problems and risks also (quasi-) global (sustainability, environmental protection, security, inequality, lack of preparation by some countries and many people, etc.), truly (quasi-) global institutions are essential, that are capable of satisfactorily responding to the new demands. Therein lies the importance of a better coordination between the several world leading organizations, at a “global” scale, inevitably involving the United Nations.

17. Economic globalization has created many “discontents” (to use the expression made famous by Stiglitz 2002), insofar as, just as predicted, the evolution of the (quasi-) global international economy nowadays would benefit more some countries or peoples, admissibly the richer ones, with bigger losses to the poorer, the most part of humanity, living in “less-developed” or “developing countries”.

Among the problems repeatedly underlined by chief critics of the actual phenomenon of globalization are: (*i*) excessive volatility of financial markets, not only in emerging countries, due to insufficient regulation and oversight; (*ii*) marginalization of developing countries, submerged in the poverty, which required a policy to eradicate the problem[27]; (*iii*) insecurity in the labour markets owing to the effect of liberalization, public budget cuts and the erosion of the social or welfare State, which instead of allowing a fairer distribution of available resources among the poorer and the richer tends to benefit the wealth of the latter; and (*iv*) lack of capability by some governments to make important decisions in an increasingly globalized world.

All of this can contribute to solve the controversy that has arisen, which also extends itself to the issue of knowing whether it is preferable to have a world economic liberalization agreement or to firstly achieve regional agreements for economic liberalization and integration. The assessment of the anti-globalization movement or movements is highly complex, just as is the very phenomenon of globalization, with all its respective restraints and effects. It requires extremely attentive consideration as to both the reliability and the relevance and weight of the several aspects to be pondered or which should prevail, to avoid distortions based on partial, insufficient or erroneous data.

One cannot overlook the fact that several countries in the world, some large in scale, were included in the "developing" group half a century ago, and yet they managed to become true economic powers, because they were able to suitably make the most of the advantages of greater openness, in the context of increasing international economic cooperation or quasi-integration, conducive to the present "globalization", while other countries favourable to protectionism and industrial policies bore the costs of refusing economic openness, particularly in some sectors more vulnerable to intense international competition, not seldom at a global scale.

This does not mean that the rules of the game do not tend to favour more advanced countries or not, as they are in the core of the prevailing international economic system in force. In any case, the centrality of the more advanced countries, just as with all the prior evolution stages of the international economy, won't certainly hold "forever". The gravitational fields of the world economy are constantly shifting, although generally in a gradual and quite often in an almost unnoticeable way.

18. It is in this general and highly complex framework of "globalization", a result of the growing international economic cooperation and integration at a universal scale that we must analyse the United Kingdom's decision to exit the European Union in June 2016.

If on the one hand it is surprising in a general context of a trend towards globalization, where countries that choose to not take part risk missing out on opportunities, including taking part in decision-making processes, on the other hand it finds its reasoning in both the upfront and repeated disagreement with the requirements of the European unification project's advances, as they question specific and crucial aspects of national sovereignty (for example, in the field of financial regulation from Brussels, eventually hindering the City of London, conditioning the immigration policy, regarding the amount of national contribution to the European Union budget compared to other Member States...) and, also, perhaps, the circumstance that "globalization" probably won't depend, at least decisively, on the phenomenon of economic regionalism.

The current massive relevance of the international economic integration experiences, particularly in Europe and in the European Union, with a huge impact on the configuration and definition of the actual international economic order's rules, as well as the differences in legal regimes among the member States and those that take part in international economic integration organizations against all other countries in the world, under the WTO law, all contribute to inexorably increase economic and political uncertainty and risks as to the maximum exploitation of the opportunities to generate wealth and expanding competitiveness offered by the status of belonging to the EU. Comparable advantages for the UK outside of the EU will depend on thousands of bilateral agreements with identical content, which will only be feasible after successive negotiations in matters that are typically very difficult and complex.

On the European Union side, problems won't be lesser or easier to solve. The decision to withdraw arises surely by default of the widespread and deep trend that has prevailed until now, of growing economic and political cooperation and integration on an international or "quasi-universal" scale, the globalization, despite the recurring hesitations, breaks and setbacks, but at a time when the disgruntled and discontent with the general sense of the evolution witnessed do not just strengthen their voice, but rather their perspectives against globalization, or at least their somewhat resistance to it have given them votes and mandates in elections. This is, to a large extent, because not everyone has benefited (and or think that has not benefited) in a balanced and fair way with the economic growth rates of our times, in the era of globalization, whether inside or outside the EU.

The general impact of the United Kingdom's exiting the European construction project is no less worrying: this is the first time a member State withdraw from the EU. In the past, the number of members increased consecutively because the act of joining represented prosperity, democracy and human rights, it stood for a real improvement in people's living conditions, as history showed. The pioneering exit of the United Kingdom from the EU put all or at least an important part of it in question. Additionally, the United Kingdom cannot be considered a member State just like any other, because of its unique history and everything it stands for in the political, geographical, military, cultural, social and economic fields.

It appears for now that everything is still out in the open, mostly due to the enormous complexity and inevitably hard effects of the several issues Brexit raised, which will lead to sensitive judgements and choosing concrete solutions deemed most appropriate, on one hand, for the European Union and European citizens, and, on the other hand, for the United Kingdom and British citizens, depending on enduring and arduous negotiations and subsequent political closing decisions, which are impossible to anticipate at the onset, since the positions and interests on the table are to a large scope divergent. Yet only those decisions and solutions will be able to dictate the near and especially the far future of the United Kingdom, including the City, and of the European Union, that is the future of British and European citizens, as well as of the next shapes of international economic cooperation and integration (i.e., globalization), or, on the contrary, disintegration.

Notes

1. The text refers chiefly to the international economic integration process that occurred on the European continent following World War II, with the creation of three European Communities (ECSC, EEC and EAEC), which later led to the current European Union (succeeding the EEC and remaining to this day, such as the EAEC; the ECSC lasted for 50 years, from 1952 to 2002, under the terms of the respective founding Treaty). In Europe, in addition to the mentioned integration process, by far the most important and the object of numerous replicas throughout several continents, it is worth recalling the immediate predecessors,

based fundamentally on international cooperation, with and around the Organization for European Economic Co-Operation (OEEC), including the European Payments Union (EPU) and the European Monetary Agreement (EMA), inspired and funded by the United States, through its Marshall Plan, as well as other later experiences in cooperation and integration, whether in the Western part with the European Free Trade Association (EFTA), founded in 1960 by initiative and influence of the United Kingdom, whether in the Eastern part, with the COMECON (Council for Mutual Economic Assistance), founded in 1949 and which lasted until 1991, under the initiative and guidance of the Soviet Union, encompassing the countries in its sphere or bloc of influence (mostly as a reaction to the Marshall Plan and subsequent creation of the OEEC).

2. There are numerous general studies on states' economic sovereignty. Among others, we can refer to Herdegen (2013, 53 ss), Qureshi and Ziegler (2011, 47 ss), Carreau and Juillard (2010, 23 ss), Lowenfeld (2008, 3 ss), Hoekman and Kostecki (2001, 9 ss) and Jackson (1997, 79 ss).
3. Cf. Graff et al. (2014, Part I, 23–152), Tamames and Huerta (2010, Parts 1–2), Knox et al. (2003).
4. As today, the 1947 GATT's purpose was the international trade of goods, with exceptions that were increased as it was applied and where "self-limitations" on exchanges were accepted and several exceptions claimed, many with doubtful conformity as to the multilateralism in force, up to the change of the *Uruguay Round*, with the approval of the agreements that set up the World Trade Organization (WTO) on 1 January 1995. Cf. Herdegen (2013), Qureshi and Ziegler (2011), Carreau and Juillard (2010), Tamames and Huerta (2010), Lowenfeld (2008), Mota (2005), Hoekman and Kostecki (2001), Jackson (1997).
5. In the Soviet Union, Eastern Europe and China, whose economies were planned by the state at central level, state-owned companies followed the government decisions on the production and distribution of goods. In these countries, international trade was of lesser relevance than in countries with a market economy, but they also resorted to international economic cooperation, namely, within the framework of the CMEA, or COMECON—Council for Mutual Economic Assistance, created in 1949 upon initiative of the Soviet Union, and which remained in place until 1991, involving the Eastern European countries and communist countries from other parts of the world that were under the Soviet Union's political and economic influence. Initially this was a replica of the US Marshall Plan for European

reconstruction, which gave rise to the Organization for European Economic Co-operation (OEEC), which preceded the European integration process that developed from then to date, whose cornerstones were the three European Communities created in the 1950s (in 1951, by the Treaty of Paris, and in 1957, by the Treaties of Rome) in Western Europe, which led to the current European Union, as well as the Organization for Economic Co-operation and Development (OECD), in 1961.

6. The European Union (EU, at the time the European Communities) promoted from the onset active cooperation for development. The 1957 Treaty of Rome envisaged the creation of a European Development Fund to support Member States' overseas territories and colonies, which meanwhile became independent. This policy expanded later and included a greater number of African, Latin American and Asian countries, in addition to neighbouring European regions. In 2000, the Cotonu Agreement was signed between the European Union and the African, Caribbean and Pacific countries (ACP), to last for 20 years, with the goal of combining efforts to eradicate poverty and help recipient countries integrate in the world economy. The European Union is also present in other areas of the world through complementary financial instruments, such as the Development Cooperation Instrument and the European Neighbourhood and Partnership Instrument, in the context of the United Nations (UN) Millennium Development Goals, with the aim of reducing poverty by 2015. Seventeen (17) new Sustainable Development Goals to be reached by 2030 replaced the eight (8) Millennium Development Goals, where among other goals we have the eradication of poverty and hunger, as well as quality health and education for all human beings.
7. David Ricardo (1817, 135) argued the theory of "comparative advantages", using as reference the explanation offered by Adam Smith (1776) on "absolute advantages", putting in crisis the prior vision of Mercantilism, which had dominated from 1500 until up to around 1750. The developments of Ricardo's theory are still at the core of the International Economics discussion. Cf. Krugman et al. (2012, 24–47).
8. Economic integration tends to occur at a restrictive and "local" scale at first, and only then does it become larger geographically and materially, until it gains a "national" dimension, by a decisive boost by the State. Without prejudice to the various specificities. Effective integration, that is, not just economic and social but also political and cultural, depends on multiple circumstances, and, namely, the geographical extension and continuity of the territory and the nature and effective exercise of political power. Depending on the fields of integration and the specificities of

the State, some attained it long before others. Some countries continue to apply restrictive commercial measures within their territory that are identical to those required at external borders.

9. The EFTA (European Free Trade Association) was set up under the Stockholm Treaty in 1960. Its signatories, in addition to the United Kingdom, were Austria, Denmark, Norway, Portugal, Sweden and Switzerland. Iceland joined in 1961, Finland in 1986 and Liechtenstein in 1991, while Denmark and the United Kingdom exited EFTA in 1972, Portugal in 1985, and Austria, Finland and Sweden in 1994, in all cases to join the European Communities, nowadays the European Union. The Treaty of Porto (Oporto) of 1992 preview the establishment on 1 January 1994 of the European Economic Area (EEA), between the European Communities/European Union and the EFTA member States, with exceptions. According to the agreement, the European Union Law dispositions on the Single or Internal Market, mainly the four European economic freedoms (free movement of goods, capital, persons and services, including the fredom of establishment), as well as the European competion law, are mandatory. Consequently, as of 2016, the European Union internal market law is applied to 31 States: the 28 EU member States and three EFTA members: Iceland, Liechtenstein and Norway; it is also partially applied to Switzerland in fulfilment of the bilateral agreements celebrated with the EU.
10. The North American Free Trade Area (NAFTA), set up by Canada, Mexico and the United States of America on 1 January 1994 followed immediately from the Canada-USA Free Trade Agreement, which entered in force on 1 January 1989.
11. Article 9(1) of the 1957 Treaty of Rome, which set up the EEC (TCEE), established that [the Community] "shall be based upon a customs union which shall cover all trade in goods and which shall involve the prohibition between Member States of customs duties on imports and exports and of all charges having equivalent effect, and the adoption of a common customs tariff in their relations with third countries". This wording of the original Treaty of Rome matches the one we still find today in article 28(1) of the Treaty on the Functioning of the European Union (TFEU), the new name of the 1957 Treaty that set up the European Economic Community (EEC), renamed in 1992 (in the Treaty of the European Union or Treaty of Maastricht) as Treaty of the European Community (EC) and, lastly, in 2007 (in the Treaty of Lisbon), as Treaty on the Functioning of the European Union (TFEU).

12. International or "regional" economic integration, in the sense of being developed at interstate level among sovereign States but not at a universal scale is different to (*i*) internal or national economic integration, which operates within the territory of each sovereign State, that is, with a more restrictive geographical scope than that set up between more than one State, depending on the size of the national territory; it is also different to (*ii*) "global" or "universal" economic integration, which is global in scale and theoretically involves (at least nowadays or in the days we can forecast), all the countries and territorial points of the Earth, which, in that imaginary framework, would form a single world economic bloc, without any discrimination or internal barriers on trade based on the origin of the goods or the nationality of the producers of those goods or service providers, when national borders had to be crossed... The current international economic order, run by the WTO, can be seen as an attempt towards gradual global economic integration. Cf. Viner (1950), Tinbergen (1956), Balassa (1961), Mansfield and Milner (1997), Yamamoto (1999), Knox et al. (2003), Pitta e Cunha (2004), Stiglitz (2006), Renato Gonçalves (2010, 2016), Porto (2016), Paz Ferreira (2016).
13. Article XXIV-4 of the GATT establishes that "the purpose of a customs union or of a free trade area should be to facilitate trade between the constituent territories and not to raise barriers to the trade of other contracting parties [*retius* of other Member (States)] with such territories".
14. Article V-A of the GATS establishes that the Agreement "shall not prevent any of its Members from being a party to an agreement establishing full integration (...) of the labour markets between or among the parties to such agreement, provided that such agreement: (a) exempts citizens of parties to the agreement from requirements concerning residency and work permits; (b) is notified to the Council for Trade in Services", and a note is then added to say that "Typically, such [full labour market] integration provides citizens of the parties concerned with a right of free entry to the employment markets of the parties and includes measures concerning conditions of pay, other conditions of employment and social benefits".
15. There are many studies on the critiques, both general and specific, to the prevailing international economic order following World War II and particularly in the last few decades. In addition to the ones already mentioned, cf. E. Paz Ferreira (2004), Held and Kaya (eds.) (2007), Tamames

and Huerta (2010) and, specifically on the international monetary and financial system, Eichengreen (2007).

16. Among the various currents of International Economics that have delved into the subject, it is worth mentioning the contribution made by Paul Krugman (1991a, b, 2008) with the so-called New Economic Geography. Cf. also Knox et al. (2003).
17. Cf. WTO (2008, Part II).
18. Cf. WTO (2008, Part II), Krugman (2008), Eichengreen (2008), Gillingham (2003).
19. The general bibliography on economic regionalism is also highly vast: Porto (2016), Eichengreen (2008), Pitta e Cunha (2004), Gillingham (2003), Knox et al. (2003), Tang (2000), Yamamoto (1999), Mansfield and Milner (eds.) (1997), Storper (1997), Lawrence (1996).
20. We continue to refer here mainly to the international economic integration process that occurred on the European continent following World War II, with the creation of the European Communities which later led to the present European Union.
21. From the security and defence perspective, the situation has changed deeply in the last few years, more recently with the occupation of Crimea and other Eastern Ukrainian lands, and ensuing Russian annexation of that peninsula in 2014. At a first instance, Russia officially denied this occupation and later, with the unilateral declaration of the "reunification" of Crimea with Russia, following a referendum that was deemed illegal by a United Nations General Assembly Resolution. Only nine countries in the world recognized this annexation: Zimbabwe, Venezuela, Syria, Nicaragua, Sudan, Belarus, Armenia, North Korea and Bolivia.
22. On the subject, cf. J. Renato Gonçalves (2010, 2016), Eichengreen (2008), Gillingham (2003), Tang (ed.) (2000).
23. Ghemawat (2011) offers several examples of "resistance" to the phenomenon of globalization: the letters sent by post cross-border represent about 1% of all letters, the length of international phone calls represents around 2%, internet traffic between countries is lower than 2%, the patents held by OECD countries that involved international cooperation in research correspond to about 7.5%, university students that study abroad are about 2% of the total, the intensity of international trade measured by products and services exported from one country to another, in terms of GDP percentage in 2009 was about 23% and foreign direct investment that crosses borders in the proportion of gross fixed capital formation

corresponds to 10% of the total, on average over the last few years. There are obviously major differences between countries and beyond this, the data put forward correspond to global averages. In any case, it seems certain that the phenomenon of globalization does not reach the scale that is often currently mentioned.

24. Cf. *The Economist* (February 26th 2015).
25. After seven years of negotiations, the Trans-Pacific Partnership (TPP), which combined Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States of America (up to 23 January 2017) and Vietnam was signed in 2016, but its effectiveness was completely compromised when the United States drew out of the agreement by decision of the new President, Donald Trump. As for the Transatlantic Trade and Investment Partnership (TTIP) between the United States and the European Union, negotiations should continue until at least 2019–2020. The Comprehensive Economic and Trade Agreement (CETA) between Canada and the European Union was signed on 30 October 2016 and later approved by the competent parliaments, starting with the European Parliament on 15 February 2017.
26. The United Nations Conference on Trade and Development (UNCTAD) is a permanent intergovernmental body established by the United Nations General Assembly in 1964.
27. Cf. Galbraith (1994), Sen (1999), Stiglitz (2002, 2006), Ferreira (2004).

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