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Sven Hilgers

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The European Union in global anti-money laundering and international accounting standard setting

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Sven Hilgers, Jg. 1989, hat Politikwissenschaft an der Freien Universität Berlin und Global Studies an der Roskilde University (Dänemark) studiert. Parallel hat er als studentischer Mitarbeiter an der Arbeitsstelle Europäische Integration der Freien Universität Berlin und im Deutschen Bundestag gearbeitet. Er interessiert sich besonders für Forschungsfragen aus den Bereichen der Europäischen Integration und der Internationalen Politischen Ökonomie.
E-Mail: s.hilgers@fu-berlin.de

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Arbeitsstelle Internationale Politische Ökonomie
Center for International Political Economy
Freie Universität Berlin
Ihnestraße 22
14195 Berlin
Germany

Tel. (+49-30) 838-56470
Fax. (+49-30) 838-56474
http://www.polsoz.fu-berlin.de/polwiss/forschung/oekonomie/ipoe/index.html

Abstract

How does the European Union (EU) perform in international financial regulation? According to various scholars the global financial architecture has been shaped by the USA and the EU. But whereas the USA is without doubt the dominant actor or even described as hegemon in writing the rules for the global political economy and global financial markets, the EU seems to be a special kind of actor. The European Union is not only one of the biggest single financial markets in the world but also has become one of the largest financial jurisdictions in the last decade. Despite this huge market size the EU's representation in institutions of the global financial regulation is quite low. Hence the direct EU impact on global financial regulation is often seen as weak or the EU is perceived rather as a forum than an actor. Given the debate on the external actorness of the EU global financial regulation is an interesting case for evaluating the EU's actorness in fields, where the EU has competences like anti-money laundering and setting accounting standards. In the paper I applied the managed globalization doctrine in order to analyze the EU's performance in those fields. The evidence illustrates that even in the fields, where the EU have regulatory competencies, the European Union is not able or willing to shape the global regulation.

Zusammenfassung

Welchen Einfluss hat die Europäische Union (EU) in internationaler Finanzmarktregulierung? Zahlreiche Wissenschaftler gehen davon aus, dass die globale Finanzarchitektur maßgeblich von den USA und der EU geprägt worden ist. Während aber die USA zweifelsohne der zentrale Akteur, vielleicht sogar ein Hegemon in der globalen Finanzmarktregierung ist, scheint die EU ein spezieller Akteur zu sein. Die EU besitzt nicht nur den größten Finanzmarkt der Welt, sondern ist auch zu einem der größten einheitlich geregelten Märkte der Welt geworden. Doch trotz dieser Marktgröße ist die EU in den zentralen Institutionen zur Regulierung von Finanzmärkten nicht vertreten. Gerade auch deswegen wird der direkte Einfluss der EU auch meistens als schwach eingestuft. Vor dem Hintergrund der laufenden Debatte über die Akteursqualität der EU ist die globale Finanzmarktregulierung ein interessanter Fall, um die Akteursqualität der EU in Feldern zu untersuchen, in denen sie Regulierungskompetenz hat. In den Bereichen Geldwäschebekämpfung und Bilanzierungsstandards hat die EU Kompetenzen. Daher wird in dem vorliegenden Papier anhand der „Managed Globalization“ Doktrin untersucht, inwiefern die EU in der Lage ist als eigenständiger Akteur zu agieren. Die Ergebnisse der Studie geben ein ernüchterndes Bild wieder. In keinem der beiden Fälle ist die EU in der Lage oder Willens, die Regulierung wirksam zu beeinflussen.

Content

Abbreviations

AML	Anti-Money Laundering
BCBS	Basel Committee on Banking Supervision
BIS	Bank of International Settlements
EC	European Commission
EU	European Union
FATF	Financial Transaction Task Force
FSAP	Financial Services Action Plan
FSB	Financial Stability Board
FSF	Financial Stability Forum
FVA	Fair Value Accounting
HCA	Historic Cost Accounting
IASB	International Accounting Standard Board
IASCF	International Accounting Standards Committee Foundation
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
IO	International Organization
IOSCO	International Organization of Securities Commissions
KYC	Know your Customer
NCCT	Non-Cooperating Countries and Territories
OECD	Organization for Economic Cooperation and Development
SEC	Securities and Exchange Commission
UN	United Nations
US	United States (of America)
USA	United States of America
US GAAP	United States Generally Accepted Accounting Principles
WTO	World Trade Organization

1. Introduction

Due to the current global financial crisis that began 2007 in the United States the governance of global finance moved center stage. The media, civil society and politics as well as science are discussing the existing financial markets architecture. The academic debate revolves mostly about the questions, why the financial crisis occurred (Schwartz 2009, Helleiner 2011, Moshirian 2011, Paudyn 2012, Rosenhek 2012, Davies/Green 2009) and how the financial systems can be changed in order to restore financial stability (Gamble 2009, Baker 2010, Helleiner/Paligari 2009, Mosley/Singer 2009). According to Drezner the United States of America (USA) and the European Union (EU) have dominated the creation of the global financial markets architecture in the last decade (Drezner 2007: 123).

Whereas the USA is without doubt the dominant actor or even described as hegemon in writing the rules for the global political economy and global financial markets, the EU seems to be a special kind of actor (Bach/Newman 2007: 837). The EU is not only one of the biggest single financial markets in the world but has also become one of the largest financial jurisdictions in the last decade (Quaglia 2012a: 1). Despite this huge market size the EU's representation in institutions of the global financial regulation is quite low. The EU institutions are only present in four out of ten important global financial institutions (Woolcock 2012: 101). Hence the direct EU impact on global financial regulation is mostly seen as weak or the EU is perceived rather as a forum than an actor (Woolcock 2012: 114). Only in few areas of financial regulation, like accounting standards and insurance regulation the EU is attributed to have a broader impact (Quaglia 2012a: 13, Mügge 2011a: 397).

Otherwise Rawi Abdelal suggests "European leadership in writing the liberal rules of global finance" (Abdelal 2007: xi). In his book "Capital rules" he applies a rather constructivist approach in order to explain the liberalization of capital and the appearance of liberal capital rules (Abdelal 2007). He distinguishes between the American ad hoc Globalization and the European managed globalization approach and leads the current global capital rules back to European initiatives instead to the so-called "Wall Street-Treasury" Complex (Abdelal 2007: 26). Abdelal as well as Abdelal and Meunier perceive the concept of "managed globalization" as broader EU doctrine towards financial and economic globalization (Abdelal/Meunier 2010: 353). Both use this concept for proving a strong consensus on capital liberalization in the EU (Abdelal 2006, Abdelal/Meunier 2010). Furthermore Jacoby and Meunier claim "the concept of managed globalization has become the underlying driver of major policy initiatives undertaken by the EU in the past decade" (Jacoby/Meunier 2010: 304).

Managed globalization is defined primarily in contrast to the "US-supported ad hoc globalization" and focuses on the institutionalization of globalization and especially financial market policy (Abdelal/Meunier 2010: 351). Managed globalization is not necessarily contrary to economic liberalization, it rather aims to create a legal framework or rules for liberal markets (Jacoby/Meunier 2010: 302). Therefore managed globalization consists of both market making and market shaping in order to provide rules for globalization. The term was formally introduced by EU Commissioner Pascal Lamy and corresponds to the public desire of a tamed globalization while expanding the regulatory influence of EU institutions within and beyond the EU (Jacoby/Meunier 2010).

However Posner and Veron doubt that the managed globalization argument fits fully into the EU in global financial regulation (Posner/Veron 2010). Instead of managing globalization the EU is perceived to adopt a limited agenda towards financial markets and to simply harmonize rules with US approaches (Posner/Veron 2010: 401). Except the case of capital liberalization put forward by Abdelal, the EU and their member states appear to opt for bilateral solutions or at least restricted multilateral regulatory regimes. Drezner argues that the governance of the international financial system, which is dominated by the EU and the USA, is mostly ruled by club standards instead of an international financial institution like the International Monetary Fund (IMF) or the World Bank (Drezner 2007: 147).

1.1. Research question and approach

Hitherto the managed globalization doctrine or argument made by Abdelal, Meunier and others provide five hypotheses for investigation of the external economic actions of the European Union. The five hypotheses are built on the five mechanisms of managed globalization in an article of Jacoby and Meunier (Jacoby/Meunier 2010). In short the hypotheses are expanding EU policy scope (common European solutions), exercising regulatory influence (EU as level of regulation), empowering international institutions (delegation of competences), enlarging the territorial sphere of the EU (indirect through IOs) and redistributing the cost of globalization (compensation of cost for e.g. specific liberalization, regulation).

This paper aims to test the five hypotheses of managed globalization in the regulation of financial markets especially in the harmonization of accounting standards and the fight against money laundering. It poses the research question, if the managed globalization doctrine captures the EU's action in global financial regulation especially in global anti-money laundering and the international harmonization of accounting standards. Besides answering the research question the paper also suggests an explanation why the doctrine fits or does not fit to the EU actions. Therefore the research is conducted as a two-step focused comparison. First it will test the hypothesis and than explain the specific outcome by one explaining variable. The focused comparison is concentrated on one phenomenon in order to illustrate an argument (George/Bennett 2005: 69). The phenomenon in this paper will be the occurrence of managed globalization represented by the five hypotheses as well as the occurrence of one independent respectively explaining variable, which is the influence of the United States in global financial regulation.

The cases for the focused comparison are accounting standards and anti-money laundering. Both are important parts in the global financial markets architecture (Davies/Green 2009). The current dominance of fair value accounting (FVA) standards is perceived to be pro-cyclical and therefore FVA has potentially threatened financial stability before the financial crisis (Mügge 2011b: 195). By making the Standards of the International Accounting standards Board (IASB) obligatory for the companies listened on European single market the EU delegated this regulation to a private international organization, while constructing "European presence" in the regulation of accounting standards at the same time (Mügge 2011a: 397, Donnelly 2007). Anti-Money Laundering (AML) as an issue for regulating finance evolved after the liberalization of capital in the 1980s. Since then the AML rules of the Financial Transaction Task Force (FATF) diffuse over the world (Tsingou 2010a, Sharman 2011). Also the European Commission (EC) is a member in the FATF and supported the FATF rules through compatible legislation (Mitsilegas/Gilmore 2007). The cases are selected because the EC is involved in the processes and negotiations of both and from a superficial point of view they can be seen as grounded in managed globalization as well as selective multilateralism. Also compared to other aspects of global financial regulation like banking supervision, regulation of insurance or the IMF, the role of the EU in the Anti-Money Laundering regime is so far unexplored.

In order to explain the specific outcome of the hypotheses test this paper uses the explaining variable: the influence of the United States on global financial regulation. It is perceived that this factor will shape the EU's action in the way the specific outcome will show. The variable is important because as already noted the USA is perceived to have a hegemonic position in global financial regulation as well as in the internationalization of criminal investigations like anti-money laundering (Bach/Newman 2007: 837, Andreas/Nadelman 2006: 51). It is assumed that this variable is crucial for the external action of the EU, because of the structural power and market power of the USA. Due to the market size as well as their regulatory coherence the USA can use their market power in order to influence other financial jurisdictions like the EU. Structural power has various aspects (Guzzini 2010: 7). In this study context especially the aspect of indirect institutional power seems interesting. That is the "[…] conscious manipulation of the institutional setting within which bargaining relations take place […]" (Guzzini 2010: 8). Due to their great presence in international institutions the USA are able to level the playing field in international negotiations and hence to influence the external actions of the EU within global financial regulation.

1.2. Structure of the project

After the introduction, the project starts with an overview of the academic debate about the EU's actorness in economic diplomacy and conceptualizes actorness for the investigation of the EU's actions in global financial regulation. In the second chapter, I will introduce the managed globalization doctrine and its hypothesis in order to investigate the EU's actions. The third chapter tests the managed globalization hypothesis on the two cases of international accounting standards and anti-money laundering in focused comparison. The fourth chapter addresses the specific outcome by using the independent variable influence of the United States. Finally the paper will produce an insight into whether the EU is a manager of financial globalization and explains the specific outcome.

1.3. Literature overview

According to Quaglia the research on EU influence in regulating global finance is a "major gap in the EU and the international political economy literature" (Quaglia 2012a: 2). Against this background there are a rare studies on the EU influence in global financial regulation (Mügge 2011a, Woolcock 2012, Posner/Veron 2010). Woolcock as well as Mügge use the principal agent approach in order to investigate the representation of the EU in financial regulation (Woolcock 2012, Mügge 2011a). Quaglia applies the concept of "regulatory capacity" for studying the EU's impact on the global regulation (Quaglia 2012a). There is also literature about the international role of the Euro in contrast to the current reserve currency Dollar (Cohen 2007, 2011, ECB 2012, McNamara/Meunier 2002, McNamara 2008, Verdun 2009). Most of them state that the international role of the Euro depends on a common financial diplomacy and a supranational bond market (McNamara/Meunier 2002, McNamara 2008, Cohen 2007).

More research is conducted to the EU as an actor in global politics, international organizations and the global political economy (Wunderlich 2011, Hettne 2011, Bretherton/Vogler 1999, Cafruny/Peters 1998, Jørgensen 2009, Elgström/Jönsson 2005, Elgström/Smith 2006). The Journal of European Public Policy for instance has devoted a special issue to the principal-agent approach as a research model for the EU as Actor in Global Political Economy (Issue 3/2011). It also devoted a special issue to the managed globalization doctrine, in which the authors apply the approach to different areas of the EU's action in the international political economy (Issue 17/2010). Furthermore the managed globalization doctrine or approach is, as already mentioned, used in the book about capital regulation from Abdelal and in various articles from Meunier about the EU's role in trade negotiations (Abdelal 2007, Meunier 2007, Abdelal/Meunier 2010, Jacoby/Meunier 2010).

The two cases are differently explored. Whereas the EU's role in the harmonization and setting of international accounting standards already attracts sufficient research (Donnelly 2007, Camfferman/Zeff 2007, Posner 2009, Posner 2010, Perry/Nölke 2006, Leblond 2011, Posner/Veron 2010, Mügge 2011b, Nölke 2011), the actions of the EU in anti-money laundering are so far largely unexplored. There are books, articles and journal articles about anti-money laundering legislation in the EU as well as about global anti-money laundering but not specifically about the role of the EU in global anti-money laundering (Helleiner 2000, Johnson/Lim 2003, Andreas/Nadelmann 2006, Hülsse 2007, Frattini 2007, Mitsilegas/Gilmore 2007, Damais 2007, Davies/Green 2009, Tsingou 2009, Tsingou 2010a, Tsingou 2010b, Bergström et al. 2011, Vlcek 2012, Sharman 2008, Sharman 2010, Roberge 2011, Winslow/Winslow 2010).

2. Measuring EU influence in the global system

2.1. Managed globalization doctrine

The term "managed globalization" was first introduced by the former EU Commissioner for trade, Pascal Lamy and later used as an academic concept by Abdelal in his article about the EU influence in the liberalization of capital (Abdelal/Meunier 2010: 352, Abdelal 2006). According to Abdelal and Meunier managed globalization has become a doctrine for the EU's policy towards the different aspects of economic globalization, that are promoted by continental European policy makers and officials of the EU (Abdelal/Meunier 2010: 352). The basic idea of the approach is to codify the rules of economic globalization, which does not necessarily mean that the EU wants to excessively regulate for example financial markets moreover to have rules even if they are liberal (Abdelal/Meunier 2010: 352). In fact Abdelal and Meunier argue that the rules codified within the context of managed globalization are more liberal and more powerful through the empowered bureaucracies which are in charge of them (Abdelal/Meunier 2010: 352). By conceiving and promoting the managed globalization argument the EU officials aim to legitimatize the process of globalization in the eyes of the citizens and to expand the policy scope of European institutions (Abdelal/Meunier 2010: 354). The goal for managed globalization therefore consists of two different logics. First, the logic of appropriateness that is the empowering of international institutions and codifying the rules of globalization in order to multilateral system which prevents "unharness globalization" (Lamy, quoted in Abdelal/Meunier 2010) and to create a true alternative to the US-led globalization. Second, the logic of consequences that is on the one hand the expanding policy scope of European institutions through the rhetoric of globalization and on the other hand to level the playing field of globalization through a EU-led multilateral system in economic globalization (rational choice).

The doctrine of managed globalization also consists of different mechanisms, which are here used as hypotheses for the external actions of the EU in global financial regulation. To put it another way, the basic assumption for the five hypotheses is that if the EU's external action is guided by these mechanisms, then it acts as a manager of globalization. Jacoby and Meunier identify five mechanisms for managed globalization, which are: *expanding policy scope, exercising regulatory influence, empowering international institutions, enlarging the territorial sphere of EU influence* and *redistribution the costs of globalization* (Jacoby/Meunier 2010: 314). The first two focus on the inward perspective of the European Union. *Expanding policy scope* describes the development of joint policies as response to the pressures evolving from globalization (Jacoby/Meunier 2010: 305). In this case the member states apply a common or European solution and thus empower or enable the state to respond to market pressure but not necessary apply market shaping policy (Jacoby/Meunier 2010: 306).

> *Hypothesis 1: The member states of the EU develop joint policies as response to the pressures evolving from globalization.*

The mechanism of *exercising regulatory influence* addresses the developing regulatory power of the EU through legislative competencies, European regulatory agencies or regulatory networks of national regulators (Jacoby/Meunier 2010: 306). For the regulatory networks it is important that they are initiated by the European commission and hence influenced by it e.g. Moran and McCartney note that the financial supervision has been europeanized by those networks (Jacoby/Meunier 2010: 306, Moran/MacCartney 2009). In order to test the hypothesis it is necessary to note first whether the EU developed actual authorities to regulate market pressure and second whether this is sufficient to promote the EU with bargaining heft (Posner/Veron 2010: 407).

> *Hypothesis 2: The EU exercises regulatory influence either through legislative competencies, European regulatory agencies or European regulatory networks of national regulators.*

For the first story of the EU in GFR the mechanism of *empowering international institutions* and therefore to promote multilateralism is important. Empowering international institutions requests the EU to involve other international institutions like the Organization for Economic Cooperation and Development (OECD), the IMF or the World Trade Organization (WTO) and thus to promote an institutional architecture for globalization (Jacoby/Meunier 2010: 307). Abdelal highlights this mechanism in his book about the sources of the current global capital rules, where he argues that EU officials, European governments and European bureaucrats in the IMF have promoted a global institutional framework for capital liberalization (Abdelal 2007). With regard to Drezner international organizations (IO) are here differentiated by their membership in *club*, *neighbor-hood* and *universal* (Drezner 2007: 67). Universal IOs are characterizes by large membership and enhanced legitimacy, neighbor-hood IOs "[…] use geography to place a natural and fixed limitation on membership […]" and club IOs limit their membership in order to exclude states with different preference orderings (Drezner 2007: 68). Due to the multilateral focus, the managed globalization doctrine requests as best option the empowerment of universal international organizations.

Hypothesis 3: The European Union and their member states delegate regulatory competencies to (universal) international organization.

The mechanism of *enlarging the territorial sphere* addresses the influence of the European-led managed globalization beyond the borders of the EU (Jacoby/Meunier 2010: 308). Expanding influence within this mechanism can be distinguished in direct influence for example through the accession process for new member states in Central and Eastern Europe and in less direct influence in international organizations, where the EU possibly works as a reference point for certain policy reforms (Jacoby/Meunier 2010: 309). Fioretos conceptualizes the EU in that mechanism as an 'model power' in international organization build on the managed globalization approach, because the EU is perceived to handle a system of diverse national economies internally and that enables the EU to work as a best practice example in the management of globalization (Fioretos 2010: 395).

Hypothesis 4: The EU enlarges its territorial sphere and its influence through international institutions

The last mechanism *redistributing the cost of globalization* goes beyond the building of an institutional framework and requests the EU to redistribute the costs and benefits of globalization (Jacoby/Meunier 2010: 309). This is related to the aim of managed globalization to get public support for globalization within Europe but also to legitimatize European influence towards developing or less beneficiary countries (Jacoby/Meunier 2010: 309). Thereby the EU faces three levels of governance; within the EU supranational solutions (regional-European level) have to compete with national ones (national level) and beyond Europe the "empty policy space" of compensating developing countries for the losses of globalization (supra-European level) (Jacoby/Meunier 2010: 310, Burgoon 2010: 435). Burgoon compares this mechanism with Pohlanyi's "double movement" argument, which describes the intervention of states in markets in order to protect societies (redistribution) from the effects of the decision in the first place (market-making) (Burgoon 2010: 435).

Hypothesis 5: The EU compensates countries or groups for the cost evolving from globalization and its governance.

The last hypothesis may not be suitable for the financial regulation because in these sectors there is basically no evidence for distinctive distributive policy. Moreover it is not expected that there is going to be evidence for this hypothesis in the two cases but the hypothesis is part of the five mechanisms of managed globalization by Jacoby and Meunier (Jacoby/Meunier 2010).

As noticed before, the concept of managed globalization is in this study used as hypotheses for analyzing the EU's action in global financial regulation. Therefore the mechanisms respectively hypotheses of managed globalization will be tested in global financial regulation and here within the two cases.

2.2. Actorness

In the ongoing academic debate about the EU as a global actor there are many concepts for analyzing whether the EU is a global actor (Smith 2006, Smith 2011, Verdun 2009 Hettne 2011, Woolcock 2012). The concepts are needed because due to the complex distribution within the EU, it is one of the "most unusual global political actors" (Smith 2011: 144). In his book on European Economic Diplomacy Steven Woolcock distinguishes between the EU as a distinctive actor and as a number of forums or levels for international negotiations (Woolcock 2012: 5). In order to measure the difference he argues that different factors within decision making practice and procedures like formal competences or relative market power shape the effectiveness and thus the role of the EU in economic diplomacy (Woolcock 2012: 18).

The one in the literature most common known but also contested concepts for evaluating the EU as global actor is the concept of actorness. By using different criteria scholars aim to understand the extent to which the EU is an actor in world politics, global political economy or global financial regulation (Bretherton/ Vogler 1999: 15). The definition of actorness changes with the theoretical point of view and a pluralist would tackle the mixed actor system and perceive that the EU "[…] is likely to be disaggregated; it will, in effect, appear as several actors [...]" (Bretherton/Vogler 1999: 20). Constructivists instead would address the level of analysis problem and question whether the action by an agent matter or the structure in which the agent act (Bretherton/Vogler 1999: 23). Bretherton uses the structure-agency puzzle for challenging the rationalist actorness concept and suggests the constructivist concept of "presence": *"Actorness relates to the capacity to act; presence is a function of being rather than action. Presence manifests itself through subtle forms of influence; but it also produces tangible impacts"* (Bretherton/Vogler 1999: 33). With presence the EU would influence global politics through factors beyond action like the property of ideas, notions, expectations and imaginations (Bretherton/Vogler 1999: 33).

International Presence is also one of the criteria for actorness proposed by Wunderlich, who builds his criteria based actorness definition upon various approaches and concepts (Wunderlich 2011). Hence the criteria seem to give on the one hand a broad concept for actorness and on the other hand are specified enough to measure it. Beside international presence the criteria are internal self-understanding/identity, external recognition, international presence, institutionalization and capabilities. International presence in Wunderlich's terms is defined as the "[…] capacity to actively influence the external environment […]" and influenced by the identity of an actor (Wunderlich 2011: 53). Also related to the identity of an actor is the criterion International self-understanding/identity as a concept of self-perception and deferral to other actors (Wunderlich 2011: 53). External recognition is a more formal but not necessary formal criteria and describes the recognition by the international system like international organizations (Wunderlich 2011: 53). The criteria of Institutionalization cover the behavioral norms, formal and informal rules or the institutional set-up that determine actor qualities (Wunderlich 2011: 53). Last the criteria of capabilities to provide capacity and to achieve outcomes simply point at the available policy instruments that shape the outcome of one's action (Wunderlich 2011: 54).

Cafruny and Peters take a different point of view and treat the EU as an explanatory variable in the conduct of foreign policy (Cafruny/Peters 1998: 2). Therefore they distinguish the external actions of the EU in decisional and structural (Cafruny/Peters 1998: 2). Decisional action results from a conscious decision making process or formal competencies whereas structural action does not arise from law or directive but is a consequence of 'domestic' process of decision making (Cafruny/Peters 1998: 2). This distinction provides a definition for actorness beyond formal competencies in external representation and focusses more on the capacity to influence the broader political economy (Cafruny/Peters 1998: 2, Verdun 2009: 47).

In order to investigate the EU as a manager of financial globalization it is necessary that one moves beyond the assessment of the Union's capacity to act, to consider also how it acts (Bretherton/Vogler 2008: 402). Therefore one needs to conceptualize actorness with regard to the managed globalization doctrine. In a journal article about the EU as a sustainable development actor, Bretherton and Vogler suggest "[…] a set of interacting processes, based on the notions of opportunity, presence and capability, that combine in varying ways to shape the Union's external activities" (Bretherton/Vogler 2008: 404). Thus the actorness concept provides the analytical framework for testing the hypotheses of managed globalization and also links the hypotheses-test to the actorness concept. Hence it is useful to assign the hypotheses of managed globalization to the three aspects of the actorness concept of Bretherton and Vogler.

The first aspect "presence" describes the ability of the EU to exert influence beyond its borders "[…] by the virtue of its existence […]" (Bretherton/Vogler 2008: 404). Thus the EU is perceived to influence the international sphere through to the consequences of (EU) internal actions and policies that generate external responses (Bretherton/Vogler 2008: 405). To illustrate this aspect one can look again at the argument about managed globalization and the EU's model power made by Fioretos, who argues that the internal multilateral handling of transnational challenges qualifies the EU to be a best practice example for the international sphere (Fioretos 2010). Because of the broad impact of the presence aspect almost all hypotheses of managed globalization are linked to it. The first two hypotheses address the internal actions that can cause external responses and the second two hypotheses measure the impact on the EU's activities on the basis of the managed globalization doctrine. Moreover the third and the fourth hypotheses set specific requirements (e.g. empowerment of international institutions) for the EU's presence in the regulation of global financial markets, which the EU has to meet if it is considered as manager of globalization. Bretherton and Vogler proceed similarly in their examination of the EU as sustainable actor, in which they describe first the internal actions within the field of sustainable policies and test them on the case of external fisheries policy (Bretherton/Vogler 2008). Second the aspect "capability" refers […] to the internal of EU action or inaction - those aspects of the EU policy process that constrain or enable action […]" (Bretherton/Vogler 2008: 407). To put it differently it stresses the capabilities to respond to external pressure or problems beyond the EU borders. Thus capability is captured by the first two hypotheses. The first hypothesis measures the extent to which the EU applies common solutions to transnational problems whereas the second hypothesis addresses the level of regulation and hence the ability to generate policy. The third aspect "opportunity" can't be captured by the five managed globalization hypotheses because it lies beyond the descriptive character of the managed globalization doctrine. Opportunity tackles the external environment, dynamics and context that constrain or enable the construction of EU actorness (Bretherton/Vogler 2008: 406). The explaining variable influence of the United States in global financial regulation can be also used to capture external impact on opportunities that shape the EU's external activities.

The following table illustrates the analytical framework, which links the hypotheses of managed globalization to the three aspects of actorness:

Actorness / Hypotheses	Presence	Capability	Opportunity
H_1 expanding EU policy scope	EU internal	EU internal	-
H_2 exercising regulatory influence	EU internal	EU internal	-
H_3 empowering international institutions	EU external	-	-
H_4 enlarging the territorial sphere of the EU	EU external	-	-
H_5 redistributing the cost of globalization	EU internal/external	-	-
V_1 US influence	-	-	External

3. Managed globalization in global financial regulation

Global financial markets are highly interlinked due to the large amount of cross-border flows of capital. Hence national financial markets are vulnerable to external shocks. The financial crises like the one in Asia 1997, Latin America 2000 or the global financial crisis that started in 2007 illustrated the international diffusion of financial instability. Therefore governments have created a complex international regulatory system which involves international institutions like the IMF and committees like the Basel Committee on Banking Supervision (BCBS) as well as harmonized regulation in order to stabilize financial markets and avoid (cross border) contagion in financial crisis (Porter 2005, Davies/Green 2009, Pauly 2009). The current international regulatory system operates on a sectorial basis, which means that various aspects of global financial markets are each regulated at specific committees and organizations (Davies/Green 2009: 32). However the Financial Stability Board (FSB, the successor of the Financial Stability Forum FSF), which includes all of the G20 member states and Spain as well as the European Commission, is responsible for the consultation across the various sectors (Pauly 2009: 970). This chapter will test the hypotheses of managed globalization on two important sectors of the current financial architecture: International accounting standards and anti-money laundering.

3.1. International accounting standards

The regulation of accounting standards is an important part of the financial markets architecture because it is a system for measuring economic activity and provides information for financial markets (Perry/Nölke 2006: 560). Thus publicity enforced accounting standards level the playing field for investors as well as companies: “They specify what information companies must reveal about their internal finances and operations […]” (Posner 2010: 642). Through accounting standards states request stock listed companies to inform the investor of how their investment is managed (Strange 1996: 136). Accountancy firms monitor the stock company's accounts in order to secure that the firm is properly managed and the shareholders are not defrauded (Strange 1996: 136). Therefore accounting standards aim to avoid the information asymmetry between the investor or shareholder and the company. According to Camfferman and Zeff Accounting standards "[…] have the potential to contribute significantly to an improved quality of financial reporting […]" (Camfferman/Zeff 2007: 2). In the last decade more then hundred states decided to make the accounting standards of the International Accounting Standards Board (IASB) mandatory for at least a part of the companies in their jurisdiction (Nölke 2013: 240). These rules are known as International Financial Reporting Standards (IFRS, until 2001 International Accounting Standards - IAS) and are based on fair value accounting (FVA) in contrast to the traditional historic cost accounting (HCA) (Perry/Nölke 2006: 562). Whereas historic cost accounting valued the business at their historic cost or the past transaction, in fair-value accounting the estimation of the value of a company is made by the market (Perry/Nölke 2006: 562). To put it differently in fair-value accounting a validation of the value by a transaction is not necessary because it is based on the current market price and therefore the value changes as market conditions change. Due to the higher volatility of the value of financial assets in FVA, it is perceived to threaten financial stability and has a significant impact on the global financial crisis of 2007-09 (Bengtsson 2011, Mügge 2011a).

The IASB itself is a private organization, which is financed and led by the International Accounting Standards Committee Foundation (IASCF). The so-called "Big Four" Accounting firms (PriceWaterhouseCoopers, Deloitte & Touche, Ernst & Young and KPMG) are the biggest financiers of the IASCF (Nölke 2013: 240, Nölke 2011: 66). Hence the IASB is noticed as an example for the overwhelming power of transnational private governance (Nölke/Perry 2007). Previously accounting standards respectively the role of accountants was defined by each national government and hence different national systems of accounting standards coexist (Strange 1996: 136). Perry and Nölke suggest that the adaption of IFRS represents a shift in power from production to finance because the value of a company in FVA is based price on the financial markets (Perry/Nölke 2006: 560).

In this global or transnational harmonization of accounting standards the EU is often perceived to gain leadership and establish European presence through the empowerment of the IASB (Leblond 2011, Mügge 2011a). Furthermore the EU adoption of International Accounting Standards (IAS) is seen as one important reason for the rising influence of the IASB (Donelly 2007: 119).

Before the adoption of the IASB accounting standards in the EU, accounting standards have been set at a national level by a combination of public and private actors (Perry/Nölke 2006: 559). Thus there were a variety of national accounting standards "[…] of varying degrees completeness, sophistication and authority, reflecting different national traditions and institutional arrangements" (Whittington 2005: 129). At least as early as 1993 the European Commission intensified its effort to change the situation of accounting standards within the EU (Camfferman/Zeff 2007: 423). In the wake of the creation of a single financial market in the EU and with its 1999 Financial Services Action Plan (FSAP) the European Commission announced its intention to harmonize accounting standards within the common financial market in the EU (Whittington 2005: 127, Lütz/Eberle 2008: 387). But instead of creating a set of common European accounting standards through a new European Accounting Standards Committee, the European Commission, Council of Ministers and the European Parliament decided in 2002 to require IAS respectively IFRS for companies listed on stock exchanges within the EU from 2005 (Whittington 2005: 129, Lütz/Eberle 2008: 387, Camfferman/Zeff 2007: 424). Also the European Commission refused to adopt the United States Generally Accepted Accounting Principles (US GAAP) that are mandatory for stock listed companies within the USA (Whittington 2005: 129). According to Camfferman and Zeff the European Commission recognized in 1995 that there would not be support for a European standard setter and thus the EC had to opt for a different strategy, which was the empowerment of the IASB and the delegation of competencies to this private organization in 2002 respectively 2005 (Camfferman/Zeff 2007: 424).

With regard to the first hypothesis this process means that although the EU failed to generate common European accounting standards the EC succeed to expand the policy scope of the EU. Thus the first hypothesis is confirmed because the EU develops joint policies (request of IFRS standards) as response to the pressures evolving from globalization. The pressure in this case is first the sorrow of the EU to lose influence in the setting of financial reporting, which would put a disadvantage on the European industry and second the increasing activities of European companies in the US market and their listening on an American stock exchange and thus the demand of legislation that allows them to depart form the specific national standards especially historic cost accounting (Camfferman/Zeff 2007: 424, Lütz/Eberle 2008: 386, Perry/Nölke 2006: 579).

The adoption of IFRS as request for listed companies within the EU also changed the level of regulation, because from 2002 respectively the EC gained regulatory influence through legislative competencies. With the decision of the Council of Ministers and the European Parliament to implement IFRS the member states delegate the decision of acceptance on a standard-by-standard basis to the EU (Whittington 2005: 130). The reason for this approval process is the reluctance to completely delegate the authority to an independent, private organization (Whittington 2005: 130).

The empowerment of the IASB brings us to the third hypothesis, for which the conformation seems more difficult. On the one hand the EU empowered with the IASB an private organization, which is perceived to be an international organization (Donnelly 2007: 117). Donnelly argues that between 2000 and 2005 the IASB transformed itself from a private interest association "[…] to a hierarchical, centralized international organization producing standards sanctioned by a number of securities regulators at the national, regional and international levels" (Donnelly 2007: 117). From this perspective the hypothesis seems to be confirmed because the EU and its member states delegate regulatory competencies to international institutions. But on the other hand the IASB is still managed by the IASC, a private foundation that is financed by private accounting firms especially the "big four" (Nölke 2013: 240). Thus the IASB is a private, business-funded and business-led body and is seen as an indicator for the "significant shift in governance towards the private and transnational level" (Nölke/ Perry 2007: 1, Perry/Nölke 2006: 576). Furthermore the accounting standards IFRS are not the outcome of multilateral negotiations; instead they are created by technical staff from private firms and monitored by private firms (Perry/Nölke 2006: 576). In contrast the managed globalization doctrine requests that international organizations have the capacity to enforce the international rules (Jacoby/Meunier 2010: 307). But even the IASB itself is hardly an outcome of multilateral negotiations rather the IFRS are mostly endorsed standard-by-standard by each financial jurisdictions, which means that they can also step away from this standards (Camfferman/Zeff 2007: 408, Perry/Nölke 2006: 576). In summary, the EU's empowerment of the IASB is one of the important reasons for the internationalization and harmonization of accounting standards but it is not captured by the managed globalization mechanism of empowering international institutions due to the private mode of governance of the IASB.

For the fourth hypothesis on the enlargement of the territorial sphere the conformation is even more difficult, because it is still contested whether the EU has significant influence in the IASB. As already mentioned the IFRS are not the outcome of multilateral negotiations. The IFRS are made by a group of 14 technical experts assembled in the board and selected for their skills and knowledge, not as a representative of any group, constituency or state (Whittington 2005: 130). Twelve of them are full-members, which are required to resign from their former employment (Whittington 2005: 130). The IASB attached great importance to its independence from the financial jurisdiction and perceived its task rather technical than political in order to provide easily comparable as well as "neutral" financial reporting standards (Leblond 2011: 449). Thus on the one hand the IASB is an independent private body without significant channels of influence for the EU but on the other hand the EU is one of the important reasons for the rise of the IFRS. Leblond analyzed the EU influence on the work of the IASB with the principal-agent approach and argues that the IASB acts independently from EU influence but also responded to some of the EU's critique with internal changes (Leblond 2011). But this result would be in line with EU requirements, because an independent IASB increases the likelihood that the IFRS are globally adopted (Leblond 2011: 459). Hence the EU increases the territorial sphere of its accounting standards through the IASB but without significantly influencing them.

As suggested in the previous chapter the last hypothesis about the distributive mechanisms of managed globalization does not fit to the accounting standard case and indeed is not confirmed here. Actually quite the opposite seems to be the case. Nölke and Perry argue that the FVA based standards favor financial over productive sector and hence contribute to the financialization (Nölke/Perry 2007: 4). Keeping in mind that the production side is pressured by the globalization of markets and global competition, the IFRS appears to disadvantage the sector, which is already coming short in globalization. In another article Perry and Nölke use the varieties of capitalism approach in order to show that the FVA based accounting standards challenge the coordinated market economies and would raise the borrowing costs for middle-sized companies (Perry/Nölke 2006: 571).

3.2. Anti-money laundering

Economic globalization has led to growing interdependence but also encouraged the growth of a wide variety of illicit economic transactions (Helleiner 2000: 2). Among the various illegal transnational economic activities money laundering describes the "[…] process of disguising the illegal origin of the financial proceeds of crime" (Tsingou 2010a: 172). It is framed as a crime that "[…] hinders the proper working of the financial system" (Bergström et al. 2011: 1044). However beside the financial regulation money laundering is also within the scope of criminal control (Tsingou 2010b: 617). The issue of money laundering was not on the international agenda or even on the national agendas in the western hemisphere until the USA decided to link the issue with the 'war on drugs' (Andres/Nadelmann 2006: 53, Tsingou 2010b: 618, Sharman 2011: 16). Thus the current anti-money laundering regime evolved in the 1980s and is one of the new and emerging global prohibition regimes (Andreas/Nadelmann 2006: 51, Helleiner 2000: 2). In 1989 the Financial Action Task Force (FATF), a free standing was created on the instruction of the G7 countries at their summit in Paris and is now at the heart of the current anti-money laundering regime (Andreas/Nadelmann 2006: 52, Sharman 2011: 25). The set-up of the freestanding body FATF was preceded by AML initiatives in various forums including the United Nations (UN), the Bank for International Settlements (BIS) and the International Organization of Securities Commissions (IOSCO) (Helleiner 2000: 3). Currently the FATF has 36 members; 34 countries and the European Commission and the Cooperation Council for the Arab States of the Gulf. According to Helleiner the regime does not only focus on controlling illicit financial movements but also aims to prevent governments from using capital controls for fighting money laundering (Helleiner 2000: 3). Furthermore Bergström et al. observe the softening of the borders between public and private sectors and the need for engagement of private actors in AML (Bergström et al. 2011: 1044).

The FATF is important for the AML regime due to their "40 recommendations" which provide rules for fighting money laundering including duties to identify customers and to observe their financial transaction. Especially the "know your customer" (KYC) rule, which was established by the Basel Committee on Banking Supervision (BCBS) in 1988, is important for the AML regime (Sharman 2011: 25). The KYC requests the provider of financial services to implement monitoring processes based on internal systems and comprehensive system of dealing with suspicious activity and specializes AML units (Tsingou 2010b: 621). To put it differently all financial institutions like private banks and other regulated companies are legally obligated to ascertain relevant information from their customers in order to prevent money laundering through the legal financial system.

In order to secure the compliance with the 40 recommendations, the FATF has four distinct mechanisms (Roberge 2011: 46). The first three mechanisms self-assessment, mutual evaluation and cross-country reviews secure the self and external supervision of the implementation and application of AML rules (Roberge 2011: 46). Such mechanisms are standard International Organizations whereas the fourth mechanism is more controversial but also perceived as accountable for the broad diffusion of FATF rules and perceived as "[…] the most straightforward exercise of power" (Sharman 2011: 99). The so-called "name and shame" strategy of the FATF includes the listening ("blacklisting") of Non-Cooperating Countries and Territories (NCCT) in order to identify and blame countries and territories with or without FATF membership, which have not introduced the 40 recommendations of the FATF (Roberge 2011: 47). Thereby the FATF puts pressure on these countries, so that even states without a financial sector of any kind have to implement Financial Intelligence Units in order to fight money laundering (Sharman 2011: 1). With the 40 recommendations and the especially the KYC the FATF request governments to build the ability to crack down money laundering within its borders as well as to force private financial institutions to fight money laundering by watching their clients instead of controlling the flaws at the borders (Helleiner 2000: 4).

The European Union, its predecessor the European Community and their member states have actively participated in the development of international and regional anti-money laundering efforts (Mitsilegas/Gilmore 2007: 119). Thus they agreed in 1991 on the first community regulation with the directive (91/308/EEC) on the prevention of the use of the financial system for the purpose of money laundering (Frattini 2007: 60, Mitsilegas/Gilmore 2007: 122). This directive is closely linked to the FATF rules and hence the following second (2001/97/EC) and the third money laundering directive (2005/60/EC) were also based on previous updates of the 40 recommendations (Mitsilegas/Gilmore

2007: 125). Moreover according to Mitsilegas and Gilmore the European Commission moved ahead of the FATF and proposed legislation that went beyond the update of the 40 recommendations in 1996 (Mitsilegas/Gilmore 2007: 123). Thus the European Commission is perceived to play an active role in the process of the legislative prohibition of money laundering and the expanding of the EU's policy scope (Mitsilegas/Gilmore 2007: 123, Frattini 2007: 60).

Against this background the member states of the EU developed joint policies as response to the pressures evolving from globalization of financial transactions and the liberalization of capital markets. Furthermore the level of regulation in the case of money laundering is obviously the EU-level and the European Commission, which is responsible for the implementation of the EU AML legislation and the monitoring of the compliance with the legislation (Mitsilegas/Gilmore 2007: 121). Thus the EU exercises regulatory influence through legislative competencies within the third pillar of the Maastricht treaty and the first two hypotheses can be regarded as confirmed.

Among the USA it is to the credit of the EUs member states that the FATF was put at the heart of the current AML regime (Sharman 2011: 21). Member states and Union actively participated in the creation of the AML regime and the empowerment of the FATF (Frattini 2007: 60). Thus the EU was involved in the decision to enable the FATF instead of the United Nations to provide the blueprint for AML. To put it differently the EU and their member states had the decision between a general international organization (e.g. UN) and a club international organization with limited membership. Thus the third hypothesis seems to be neither confirmed nor disproved because the EU indeed empowered an international institution and took part in their negotiations but refused to enable a general international organization like the UN. As mentioned before a club international organization is characterized by a limited membership to members with similar preference orderings in order to avoid controversies in negotiations and gain easier decision-making (Drezner 2007: 67). Especially prohibition regimes like FATF are contested due to the criminalization of specific activities and hence the G7 decided to set up the FATF to effectively fight money laundering (Andreas/Nadelman 2006: 52, Sharman 2011: 21).

In the case of anti-money laundering the outcome of the third hypothesis is complexly linked to the outcome of the fourth hypothesis. On the one hand the club IO FATF cover only a handful of states and territories and thus their regulation applies initially only to few countries but on the other hand through blacklisting NCCTs the FATF effectively expands their territorial sphere (Sharman 2011: 99). In his book the Money laundry Sharman argues that blacklisting is a straightforward exercise of Power beyond the FATF covered territory similar to pulling a "gun to the head" of policy makers in order to get them to follow the FATF rules (Sharman 2011: 99). Due to blacklisting not only the countries on the NCCT comply with the 40 recommendations but also countries made sure to comply sufficiently with the AML Regime (Sharman 2011: 127). With the European Commission and 14 EU member states, the EU is represented by 15 out of 36 FATF members and hence has a broad influence on the FATF. Thus, while the FATF expands its territorial sphere, it seems that the EU also expands the territorial sphere of its approach towards money laundering. Moreover Mitsilegas and Gilmore observe a "symbiotic relationship" between the evolutions of the AML regimes on the global and the European level (Mitsilegas/Gilmore 2007: 119).

As suggested in the second chapter the last hypothesis about the distributive mechanisms of managed globalization does not fit to the anti-money laundering case and indeed is not confirmed here. Like in the previous case quite the opposite is the case. Due to the current AML regime, which is based on the FATF and their blacklisting, even states without financial sectors have to provide costly operational and effectively functioning Financial Intelligence Unit in order to fight money laundering (Sherman 2011: 1). Although it is not possible to commit money laundering in these cases, these states have to take the cost for AML measures. Therefore the AML regime backed by the EU does not avoid or redistribute the cost of globalization. Instead it puts additional cost on (least) developed countries.

3.3. Manager of financial globalization?

In both cases the outcome of the focused comparisons are contested or even falsified on the last three hypotheses. The following table illustrates the outcome of the focused comparison and the hypothesis test:

Hypotheses \ Cases	Accounting standards	Anti-Money Laundering
H_1 expanding EU policy scope	Confirmed	Confirmed
H_2 exercising regulatory influence	Confirmed	Confirmed
H_3 empowering international institutions	**Contested**	**Contested**
H_4 enlarging the territorial sphere of the EU	Contested	Confirmed
H_5 redistributing the cost of globalization	Not confirmed	Not confirmed

The confirmation of the first two hypotheses indicates that the EU basically has the capability to act on the global stage in the fields of anti-money laundering and accounting standards due to their policy scope and regulatory influence. Hence the EU has also the ability to manage globalization from an internal perspective. Posner and Veron go even further and note that the EU member states did "[…] co-operate extensively by the turn of the millennium in many if not most areas of financial regulation […]" (Posner/Veron 2010: 407). However the EU did not seek to manage globalization in the examined cases and especially with regard to the empowerment of an international organization. The empowerment of an international organization is an important mechanism of the managed globalization doctrine because it indicates the institutionalization of rules for globalization and hence represents the main difference to the American "ad hoc globalization". The concept of "ad hoc globalization" is used as antagonistic concept for managed globalization (Abdelal 2007, Abdelal/Meunier 2010). Ad hoc globalization describes an approach in which global financial regulation is built "ad hoc" on cross border ties through unilateral choices and plurilateral or bilateral agreements instead of institutionalized multilateral rules and international organizations (Abdelal/Meunier 2010: 351).

4. The US influence on the EU's external action

This chapter aims to explain why the EU put a club or private international organization in the center of the accounting standard and anti-money laundering regime instead of empowering a universal international organization in order to genuinely manage globalization. The USA and especially the US Congress are historically critical about delegating competencies to international institutions. From the League of Nations after the First World War to the international trade union after World War II and the International Criminal Court in the beginning 21st century, the congress often rejected the empowerment or even the establishing of international institutions in order to maintain the full sovereignty of the USA. However the USA was also a main driver in creating the post-war Bretton-Woods-System as institutional framework for global finance, which includes capital controls, gold convertibility and international institutions like the IMF and World Bank (Helleiner 1996: 3). Nonetheless the USA unilaterally abandoned the gold convertibility of the US-Dollar and capital controls. Hence it ended the post-war global financial system in 1973 and initiated a new era of global finance, which were less embedded and regulated (Ruggie 1982, Helleiner 1996: 13). Thus the USA seems to have an ambivalent relation towards multilateral institutions and uses them more instrumentally when they are sufficient to serve American interests.

In global financial regulation the US is perceived to have leadership and significantly shaped the current financial order with the exercise of American power (Abdelal 2007: 25, Bach/Newman 2007: 837, Seabrooke 2001, Drezner 2007). The international institutions have lost influence and private actors as well as club International Governmental Organization (IGO) have gained more influence since the end of Bretton Woods (Drezner 2007, Abdelal 2007: 23). Abdelal used the term "ad hoc globalization of finance" for this evolution and traced it back to unilateral decisions of the United States in cooperation with a handful of countries (Abdelal 2007: 23).

4.1. US action as catalyst for European accounting legislation

From 1990 onwards the increasing attractiveness of the US capital market for European companies caused the urgent need for a change of the harmonization of accounting standards in Europe (Camfferman/Zeff 2007: 423). In order to secure the competitiveness of European companies and the European market the commission tried to find a common European solution (Camfferman/Zeff 2007: 423). Thus the pressure for the harmonization of accounting standard evolves from the demand of European companies for the sufficient regulation of accounting standards in order to avoid a decrease of competitiveness on the US market. Thus the USA has influence through exercising market power. The literature about market power is dominated by the market-size-equals-market-power argument, but as Bach and Newman argue market power consists beside the market size also of the regulatory influence within this internal market, which they conceptualize as regulatory capacity (Bach/Newman 2007: 830). Therefore the US market size is a source for the influence of the USA because it is the largest financial jurisdiction including the powerful regulatory agency Securities and Exchange Commission (SEC) (Drezner 2007: 123, Leblond 2011: 443). Due to the attractiveness of the US capital market for European companies and the broad acceptance of the accounting standards of the US market, member states pushed for harmonization with the US market rather than the creation of European accounting standards.

According to Posner and Veron the dominance of US ideas for organizing finance influenced the decision of the EU to apply standards that are based on the FVA principle (Posner/Veron 2010: 408). They observe three channels through which US ideas gain influence in the EU policy-making: international bodies, firm lobbying and European national reforms (Posner/Veron 2010: 47). The channel international bodies refer to the long dominance of US officials in international bodies, which successfully upload their standards on the global sphere (Posner/Veron 2010: 47). The IASB was modeled after the American FASB and the predecessor International Accounting Standards Committee (IASC) was founded by American regulators (Leblond 2011: 449). The SEC successfully promoted during the 1990s negotiations an independent IASB, which was selected solely on the basis of their technical expertise (Leblond 2011: 449). Leblond observes a close interaction between the FASB and the IASB because US GAAP and IFRS follow the same Anglo-Saxon tradition (Leblond 2011: 450). Thus the SEC rather supported the growing acceptance of the IFRS instead of perceiving it as rival standards as Posner suggested (Leblond 2011: 450, Posner 2009). This also seems to explain why Leblond perceives the influence of the EU in the IASB as relatively weak (Leblond 2011).

The second channel of influence is the firm lobbying of financial services and US publicly listed companies from Europe, which promoted coordinated transatlantic rules (Posner/Veron 2010: 407). Particularly accounting standards made by the private body IASB received support from companies because they level the playing field with transparent financial reporting for European companies. Even enterprises, which are perceived as not being supportive of FVA standards (e.g. the productive sector) refused to resist the standards because they preferred transnational standards and private authority before national regulation (Perry/Nölke 2006: 577). While European companies initially wanted only transatlantic standards, the U.S. accounting approach and the private regulation was rather a by-product. But thus the demand of harmonization pushed the EU to follow a strategy of harmonization of standards with the US, based on the FVA approach, instead of setting their own standards or empower an international organization.

Finally the EU member states lawmakers are perceived to borrow "[…] US ideas and arrangements – a pattern facilitating EU-level co-operation along an ad hoc approach to financial globalization […]" (Posner/Veron 2010: 407). To put it differently the national financial reporting systems were already adjusted to the US favored and FVA based accounting standards and hence the least common denominator was precisely this standard. Posner and Veron as well as Lütz and Eberle note that the German government allowed its firms from the 1990s to shift to US GAAP or IFRS and thus prepared the ground for FVA based standards in the EU (Posner/Veron 2010: 408, Lütz/Eberle 2008: 386). Furthermore Lütz and Eberle argue that the "[…] unilateral adoption of US standards by European firms ran counter to the European harmonization efforts […]" (Lütz/Eberle 2008: 386). Thereby the member states and the companies restricted the possible strategies of the EU, so that at the latest in 1995 the European Commission recognized, that there would not be European accounting standards and hence the EC decided to concentrate on the international harmonization process already underway in the then IASC (Lütz/Eberle 2008: 386).

Nonetheless Posner and Veron perceive US ideas not entirely sufficient to explain the regulatory choice of the EU (Posner/Veron 2010: 408). Therefore it was necessary to take the regulated market size of the USA into account in order to explain the regulatory choice of the EU. Together dominance of US ideas and the size and attractiveness of the US market size along with the equivalent regulation, the US influence seems to explain the decision of the EU to opt for the delegation to the IASB. Due to both expressions of the US influence it was not an option either to create European accounting standards, which would run against US standards and lack acceptance around the world or to enable a universal international organization like the International Organization of Securities Commissions (IOSCO). Especially against the background that the IOSCO worked together with the IASC and encouraged governments to enable the private IASB to create international accounting standards, the IOSCO could not be the right forum (Lütz/Eberle 2008: 386).

4.2. US hegemony in anti-money laundering

According to Drezner the regulatory outcome of the negotiations for a global AML regime and the institutional choice can be explained by the preferences of the great powers in international finance (Drezner 2007: 142). The great powers in international finance are according to Drezner the USA and the EU (Drezner 2007). Both actors were concerned "[…] that criminals were exploiting the integration of capital markets to hide their illicit wealth" (Drezner 2007: xxi) and hence had similar incentives to fight money laundering. Beside the criminal aspect of money-laundering the transatlantic actors also demanded the AML regime in order to decrease the pressure evolving from offshore finance, because offshore finance is not only used for tax avoidance but also lacks most of the financial regulation (Tsingou 2010b: 618, Shaxson 2012: 8). Thus offshore finance is often used to disguising the illegal origin of financial proceeds of crime and the prohibition of money laundering also has to cover offshore finance. However developed states with a regulated financial market have different preferences than developing states and especially the provider of offshore finance. Therefore the choice of a club IO was made in order to exclude states with different preference orderings and to build a strong coalition against money laundering.

However this provides the rationale for the implementation of an anti-money laundering regime with the club IO FATF at the center but why did the EU opt for the club IO instead of empowering the UN or even the larger OECD for AML measures? One could argue that the empowerment of the FATF eventually was an act of managed globalization due to the almost global diffusion of AML rules following the blacklisting measures of the FATF. But in contrast to the managed globalization doctrine the diffusion is not institutionalized and actually legally binding for the non-members of the FATF. Thus the external actions of the EU in the case AML seem to fit to ad hoc globalization and this again can be explained by the influence of the USA.

The United States of America are perceived to have leadership or even hegemony in global financial regulation as well as the transnationalization of crime control due to their market size and significant role in security politics (Bach/Newmann 2007: 837, Andreas/Nadelmann 2006: 51). Helleiner argues that the US often uses its dominant position in the financial system in order to push for international cooperation in the regulation of global finance (Helleiner 2000: 6). Furthermore Sharman notes that the United States "[…] has done more to develop and diffuse AML policy than any other country […]" (Sharmann 2011: 21). Unsurprisingly the first legislation on preventing money laundering was adopted in the United States in 1982 and 1986 with the Money Laundering Control Act (Sharman 2011: 16, Andreas/Nadelmann 2006: 148). Much of the current global AML policy was initiated by the US and the regime reflects the interest of the US due to the high amount of money that is laundered through the US market (Tsingou 2010b: 620).

The emergence of the global anti-money laundering regime can be separated into two phases. In the first phase, AML was linked to drug trafficking during the 1980s and in the second phase it was used to fight terrorist financing after 9/11. Both phases created an environment in which a strong and transnational AML policy seemed necessary. Also in both phases the US was the leading force behind the criminalization of money laundering. The second phase is beyond the purpose of this study but in the aftermath of the terrorist attacks of 11 September 2001 the mandate of FATF were extended to include the combat of terrorist financing, which linked AML to terrorist financing and hence AML became a high priority issue again (Tsingou 2010b: 619).

More important is the first phase, in which the US created the political conditions for international cooperation and the founding of the FATF. Throughout the 1980s the US promoted the strategy of "going after the money" for fighting drug trafficking and introduced legislation that "[…] cut foreigners off from access to the US financial system, including its clearing systems, if their governments refused to reach specific anti-money laundering agreements with the US Treasury" (Helleiner 2000: 6). Furthermore the US bypassed bank secrecy laws by framing investigations and prosecutions of drug-related money laundering as drug trafficking investigations in order to increase the pressure on foreign territories to support the US investigations (Andreas/Nadelmann 2006: 148). The US used a combination of their extraordinary financial market size, an equivalent legislation and the linking of money laundering to drug trafficking for accomplishing a transnationalization of their crime control in the field of money laundering. Thus the US created growing importance and the political conditions for more international cooperation in this area. Therefore the US addressed the subject at the G7 summits in 1988 and 1989 (Andreas/Nadelmann 2006: 148). The then European Community Commission became more active and also supported legislation in this area as well as the foundation of the FATF in 1989 (Andreas/Nadelmann 2006: 149, Frattini 2007: 60).

5. Conclusion

The managed globalization doctrine adds an interesting story to the analysis of the external economic action of the European Union, which puts the multilateral taming of globalization through the EU center stage. However this study demonstrates that the EUs approach towards financial globalization is not significantly different to the US "ad hoc globalization". In both cases the EU has expanded its policy scope and exercise regulatory influence or, with regard to the actorness concept of Bretherton and Vogler, the EU gained the capability to act on the global level. But the EU didn't use the ability to act in order to promote the suggested managed globalization doctrine. Thus the EU did not effectively implement presence in global financial regulation.

In their journal article "Power without purpose" about managed globalization in financial regulation, Posner and Veron argue that a constellation of developments, including among others the function of policy entrepreneurs like the European Commission, the euro introduction and the previous integration, explains the EU's role in global financial regulation (Posner/Veron 2010: 409). There is some truth in this explanation especially because of the different perspective on managed globalization in their article but this case study suggests a more prominent role for the US. It implies that the EU's actorness is depending on the global opportunity structure and especially on the action of the United States. In international accounting standards and anti-money laundering the USA limited the strategic options for the EU by increasing the cost for other options especially for the actual management of globalization.

It is still contested whether the European Union's actorness has changed in the aftermath of the 2007 financial crisis due to the pressure put on the US hegemony and their model in global finance. Against the background of this study an expansion of the EU's influence in the sections of financial regulation, where the EU already has expanded their policy scope and exercises regulatory influence in its jurisdiction, seems to be more likely.

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