

Reflection of the Internal Dimensions to the External Presence:

The European Union in Trade and Monetary Policies

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Introduction

International actorness of the European Union (EU) is highly related with the context delineated for the integration in issue-specific areas. In this regard, the internal dimensions such as; different interests of Member States and the institutional settings with the EU are important points of departure to examine how the European integration has taken its current shape. More importantly, that examination highlights what does the current position of the European Union imply for the future trajectory of its spheres of influence in international fora.

Two issue-specific areas, trade and monetary policies are remarkable in the sense that the internal dimensions are reflecting to the external presence in different shapes. For instance; EU trade policy is noteworthy since the integration in this issue-specific area has successfully operated through nurturing and seeding the basis for regionalization of Europe. The spill over effect of lucid legal basis from the Treaty of Rome to the Maastricht Treaty, has given advantages to the European Commission as this EU level actor ended up by being a supranational entity for representational competence at the international scale for international trade policy. In contrast, in another layer of the EU, that is monetary policy, the incorporation of the Union and producing representational competence has faced some difficulties. Compared to trade policy, triggering the spill over effect malfunctioned for the monetary policy. For example; the mediation between the Member States represented by the Council of Ministers and the European Commission in times of deciding to who should be accountable for speaking on behalf of

the Union in international fora has been debatable. As a corollary, harmonizing the interests of the EU level actors causes a problem and that problem fails to maintain a robust EU in monetary policy and international monetary fora in contrast to the success in trade policy and presence in World Trade Organization.

The different internal dimensions such as institutional settings and positions of Member States find different reflections in trade and monetary policies and this differentiation creates different visions of the EU as a single actor. Although, the historical and legal backgrounds behind the trade and monetary policies of the European Union provide an insight about how the construction of the external representation achieved, they are not sufficient to observe how far can the integration go and create an EU as an actor representing common interests. To highlight this point, in this paper, I will argue that the future trajectory of the EU will depend on the capability of liberal intergovernmental approach to be constructive rather than obstructive in a sense to coherently and efficiently representing the common interests of the EU. This is significant for paving the way to trigger the evolution of consultative mechanisms that would contribute to the stance of the Union, hence solidifying the representational competence of the EU which will lead for being a robust actor in international level.

In order to testify whether there is a room for going beyond the liberal intergovernmentalism and pave the way for analyzing the ways in which the bargaining capability under the competence is constructed; in the first part, I provide the institutional settings for the trade policy of the EU through the legal basis and than, assess the position of the EU in World Trade Organization by highlighting how the EU is represented and how the mediation is sustained through the institutional settings internally found in the

EU. In the second part, I present the legal foundations of the monetary policy and the institutional settings for its function. In a comparative perspective, I try to assess the presence of the EU in the Group of Seven and the International Monetary Fund by revealing its differences and shortcomings from the ways that the trade policy is operated and found its reflections in the WTO. By incorporating the analysis through underlying to what extent can the EU shape or alter the international trade or monetary system, I will try to find reasonable answers to the question of whether the current global financial crisis can be a policy window for the EU to act in a coordinated manner both within the EU and the international level.

I. Managing the Trade Policy

In order to understand the effectiveness of trade policy, the meaning of competence and what does it imply for the actorness of the EU are two crucial points. More specifically, who is at the driving seat to reach the Union's goals in trade policy and maximize its common interests in this specific issue-area will pave the way for pursuing the Union's interest at the international scale. In this sense, is the Union successful enough to realize a harmonization or to reach a common sense? The milieu that these lines draw reveals how does the internally construction of the Union's competence reflect at the international scale and what are the ramifications of the battle for competence for the EU is the main tenet for a robust representation of the EU. Therefore, the construction of the Competence will be analyzed through a historical and legal context.

Legal Foundations of Exclusive Competence and Battle for Competence

To highlight where the construction has started and how far did it go, firstly, the Treaty of Rome, 1957, settled the legal roots of the common commercial policy with the Article 113¹. In regards to Article 113, the European Court of Justice, in Opinion 1/75, has indicated that the article maintains the operation of Common Market to pursue the defense of common interests of the Community. For this reason, the Court has shed light on the collective representation of common interests thus highlighted the exclusiveness of the Community's competence (Macleod *et al.*, 1998: 57).

The legal framework of the EU at the intergovernmental level unlocks the EU's capability of accumulating the common interests as a single voice at the international level due to the exclusive competence that is granted by the Member States. To explain what competence means; Meunier and Nicolaidis (1999: 481) elaborate the concept throughout four layers. First one is the designation of a negotiation mandate; second one is the representation of the parties during the negotiations, and third, the ratification of the agreement when it is negotiated and lastly the implementation and enforcement of the agreement when it is brought into force.

Borrowing from this delineation, the role that EU's exclusive competence plays is crucial to determine a certain status for the Union to have a voice and defend the common interests at the international level. In this manner, designing the agenda-setting is necessary to strengthen the hands of the EU. The actor that is subjected to determine the EU's negotiation mandate is the Council of Ministers which usually meets as the foreign ministers and proceeds upon the basis of a Commission proposal (Woolcock, 2005: 379).

¹ Article 113 is renumbered in the Treaty of Amsterdam as Article 133.

After setting the objective, it is important to determine who should be speaking for the Union. As it is appeared in the Treaty of Rome and amended by the Maastricht Treaty on European Union (TEU), Council grants negotiating power to the European Commission by the Articles 133 and 300. Commission as a sole negotiator, has to confirm what it negotiated to the Council. Woolcock (2005: 381) evaluates this configuration as it provides flexibility while also makes the Commission accountable to the Council, hence to the European electorate. In addition to this, it will be useful to highlight that this picture remains at the elite level which is very technocratic and designated far from the deliberations with certain actors that the policy outcomes will have affect on. For instance, the Commission should harmonize national interests with regard to various sectoral interests in order to engender a Community interest (Woolcock, 2005: 382). Therefore, the inclusion of internal dimensions is added to the picture by taking into account to balance both the national interests and sectoral interests to improve the credibility of the Commission with the help of the flexibility of the liberal intergovernmental nature of institutional setting inherent in the European Union. In this sense, the process is rendered highly liberal intergovernmental since the issue-specific feature of interests, which refers to maximizing trade-related interests of domestic actors including not only states but also the domestic interest groups (Schimmelfennig, 2003: 80), has fruitfully operated through bargaining mechanisms that have operated among the various actors at the EU level. So, with regards to enhance the dialogue with the Commission during negotiations, a complex mechanism has evolved to organize trade issues. The institutional setting has taken the shape of the participants of the Article 133 Committee; Coreper which consists of permanent representatives of the Member States'

governments in Brussels; and the General Affairs Council that consists of foreign ministers (Woolcock, 2005: 383).

At this point how is this institutional actor-specific configuration of policy processes situated in the global institutional settings is the gateway to understand the reflection of internal dynamics to external representation. In this respect, what is important for the EU is to inject the common interests of the Member States, and thus shape the international trade system. But, is this representation of the EU sufficient enough to reflect the common interests in a global institutional setting like the World Trade Organization?

Presence of the EU in World Trade Organization

When the role of the EU on the road from the General Agreements on Tariffs and Trade (GATT) to the WTO is examined, it is necessary to take into account what does the institutionalization of the WTO mean. What I mean is that the establishment of the GATT launched a common code of conduct that facilitated the functioning of international trade via reducing and binding tariffs and consequently arose as an impetus to make the international trade to function better. Through the Uruguay Round, the establishment of the WTO has bestowed a structure for the implementation, administration and operation of the trade agreements. As a corollary, the WTO has evolved as a forum of negotiation for its members to enhance multilateral trade relations (Macleod *et al.*, 1998: 179).

The intergovernmental nature of exclusive competence granted to the Commission has provided the EU a status for negotiating and bargaining at the GATT. When the Uruguay Round has produced the WTO, the results of the multilateral trade negotiations were signed by the Member States; and by the Presidency and the Commission on behalf

of the European Union in Marrakech, 15 April 1994. Besides, the Council affirmed a decision that approves the membership of the Commission on behalf of the European Union. In this sense, being a member of the WTO has granted the EU to vote and speak at the Ministerial Conference and the General Council (Macleod *et al.*, 1998: 180). Although it seems that the process of mediation between the Member States, the Council and the Commission is working smoothly, the widening of the GATT to encompass the General Agreement on Trade and Services (GATS) and Trade-Related Intellectual Property Rights (TRIPs) has generated a problem and a political battle for competence about whether the exclusive competence has to be widened too encompass these issue-specific areas or not.

In order to stress the stances of the actors; for instance, Member States were arguing that these issue-areas have to be a matter of national competence or at least mixed competence whereas the Commission was arguing that what is crucial is to ‘speak with one voice’ that requires the Commission to be the sole negotiator (Woolcock, 2005: 376). The legal disputes which would undermine the credibility of the competence in regards to EU’s negotiation capability (Woolcock, 2005: 377) has come to a conclusion by the European Court of Justice’s (ECJ) Opinion 1/94. Court’s Opinion acknowledged that trade in services cannot be excluded from the context of Article 113 (renumbered as 133). In addition, it is required to assess whether trade in services can be considered within the Article 113 by taking into account the definition of GATS in Article I:2 which is framed by first, cross-frontier supply, second consumption abroad, third commercial presence and lastly the presence of natural persons (Jackson and Sykes, 1997: 33). In this respect, services can be regarded as EU competence when there was a cross-border supply of

services or when the labour associated with the service crossed the border (Woolcock, 2005: 377). By the same token, in relation to the TRIPs there reveals a resistance of the Commission argued that the Article 113 encompasses TRIPs Agreement (Jackson and Sykes, 1997: 35), which is a claim that enshrines exclusive competence of the Commission as a sole negotiator. But the Court, in its Opinion 1/94 regulated that with the exception of the provisions that concern the prohibitions of free circulation of counterfeit goods, the TRIPs does not included within the context of the Common Commercial Policy (Jackson and Sykes, 1997: 36).

Having delineated the picture of how the exclusive competence constructed through historical and legal lenses, a dilemma that is revealed stems from the perceptions of the Member States *vis-à-vis* the Commission. In this regard, the resistance of the Commission has its sources rooted in the efficiency maximization of the Commission to exert its influence in international arena and ameliorate the Union's presence through representation. This perception is nourished with the liberal intergovernmental features that prioritize international interdependence and international institutions (Schimmelfennig, 2003: 80) for representing the common interests of the Union. However, is there a room for common interests in monetary policy to be represented at EU level hence reflecting to the position of the EU in international fora?

II. Managing the Monetary Policy

The importance of monetary policy under the Economic and Monetary Union (EMU) stems from the effect it creates to fortify Europe through the single currency which is an important fact that political leaders take into account (McNamara, 2005: 141). However, pursuing collective representation of the EU at the international fora on behalf of the

monetary policy is controversial since the Union's competence is moving on a scale that is between national and supranational level. To explain why the Member States are so delicate to give up on their national representation of monetary policy, it is necessary to shed light upon the historical development of the monetary policy by buttressing it with the legal infrastructure. Hence, the place of the European Union in international fora and the vulnerability of the Union in representation of the Union's interests can be captured whilst revealing the differences of monetary policy from the trade policy.

Evolution of Monetary Policy: Legal Foundation and Institutional Setting

When the institutional setting of the monetary policy is considered, as McNamara (2005: 148) figures out successfully, the importance of having a common exchange rate system has been recognized when the Bretton Woods System clashed down. In this sense, during the 1980s, Exchange Rate Mechanism was in the shape of an ad hoc agreement among the Member States. This setting has emerged the need of canalizing central banks' of Member States into a one hand at the supranational level. Consequently, the Committee of Central Bank Governors (CCBG) is established in 1964 to coordinate the European Exchange Rate System in Basle, at the Bank for International Settlements. The continuation of enhancing this model has been activated through the Maastricht Treaty which is also known as Treaty of European Union (TEU) in 1992. As it can be explained by neofunctionalist terms, the spill over effect has been unlocked by the external effects with the breakdown of Bretton Woods System and the internal effect that it created for the need of strengthening the Union through attributing sovereignty via monetary policies. When the roots of the monetary policy are examined, it is observed that there is not such a basis that advocates the establishment of a single European currency or

monetary union as a primary goal. However, the existence of the Articles 105, 106, 107 and 108 of TEU posit that exchange rates are under the ‘common interest’ and besides, those Articles highlight the possibility of mutual aid when there is a case of experiencing balance of payments difficulties (McNamara, 2005: 141).

What the TEU has pointed out in the Article 109 is the need for mechanism to originate the external policies, including exchange rate policies under the economic and monetary union. Specifically, as Henning (1997: 34) depicts, the Article regulates the conclusion of formal exchange rate agreements, the setting up of general orientations for the central bank, the institutional arrangements to negotiate and to conclude formal international agreements as well as determining the international position of the European Community and the privileges that Member States possess in international bodies. This framework contains an institutional setting at the EU level that is the institutional framework for policy, the European System of Central Banks (ESCB), consisting of twenty-five of the EU’s national central banks which are tied to the European Central Bank (ECB) situated at the centre. In this sense, at the institutional level, there reveal a ‘Eurosystem’ authority in which the Member States adopt the euro as a single currency, and form the Eurozone. In this milieu, the national banks that do not participate in the Euro area are the members of the ESCB to a limited extent which leaves for those members to adopt national monetary policies unilaterally by not taking part in the decision-making mechanism of the euro area (McNamara, 2005: 149). For the robustness of the institutional setting, I would like to state that the European Central Bank (ECB)² defines the Eurosystem as;

² European Central Bank, http://www.ecb.int/ecb/orga/escb/html/mission_eurosys.en.html

“The Eurosystem, which comprises the European Central Bank and the national central banks of the Member States whose currency is the euro, is the monetary authority of the euro area. We in the Eurosystem have as our primary objective the maintenance of price stability for the common good. Acting also as a leading financial authority, we aim to safeguard financial stability and promote European financial integration.”

At this point, after drawing the broader picture of the institutional setting, it will be useful to understand what goals are attributed to the European Central Bank and to the ESCB for pursuing the common interest at the institutional level. By doing so, it will become obvious to understand if there is a room for the EU to be an actor that is competent for shaping the international setting of the monetary policy, by depicting the active role of the Eurozone in G-7 and the IMF in regards to the EU’s role in trade policy.

In this sense, the ECB’s main purpose to formulate and implement the monetary policy has been activated through the means of setting interest rates, executing exchange market operations, and holding and managing official reserves. In this realm, the formulation of the monetary policies has been realized through the ECB which is an actor prioritizes in the first place, price stability whereas the execution and operation of monetary policies are being pursued by national central banks. Another important role that is attached to the ECB is to play the role of lender of last resort in times of a crisis (McNamara, 2005: 149) but to what extent it can do so depends on the Member States’ willingness to widen the sphere of influence of the ECB. This structure implies that the intergovernmental feature of the monetary policy built upon to mediate the interests through using mechanisms of an intergovernmental structure; that has been using deliberations for the formulation of the monetary policies by the actor of an EU level agency. In this sense, McNamara (2005: 151-3) points out the incomplete status of the monetary policy due to the fact that crucial policy processes rendered at the national level

obscures economic governance or external representation. Specifically, for the external representation and for the representational competence, the Commission appears to play the advocacy role whereas it does not possess a legal or political power to shape national macroeconomic policies. In addition to the Commission, discussions related to the issues such as external representation take place in Ecofin, which is the Council configuration for economic and financial ministers of the EU. However, since the Ecofin does not possess a legal power to shape macroeconomic policies, it is limited to cover the issues on the basis of reaching upon consensus and coordination. Another institutional setting that appears is 'Eurogroup' which is a subset of Ecofin, established in 1998. Eurogroup embraces ministers of the Euro States and evolves as a forum to coordinate within the Eurozone (McNamara, 2005: 153). Unlike the ECB or the Commission, the political connections of the Eurogroup to the Member States' governments and their publics can serve for both the efficiency and legitimacy of the policies for the international representation. However, the fear of monetary policy to become politicized or Eurogroup may possess too much authority in relation to the ECB (McNamara and Meunier, 2002: 861-2) create uncertainty for a healthy information flow between the actors.

The milieu that is depicted paves the way for the question of how this structure contributes to speak on behalf of the European Union which aims to incorporate institutional settings within the global scale. In other words, who should take the burden of responsibility? In this regard, in TEU Article 109 Paragraph 3, it is appointed that deciding whether there is a need to negotiate for the monetary union is approved by case-by-case analysis. According to the Treaty, the arrangements should guarantee the single position of the Commission. Furthermore, it is ascribed to the Commission that it should

be “fully associated” with the negotiations. Nevertheless this point does not grant to the Commission the competence to take a seat at the negotiation table (Henning, 1997: 39-40). Delineating this frame reveals that although the institutionalization of “common interests” gives hope for the strengthening of bargaining power at the EU-level, the biggest obstacle in this picture is the inability of the EU to cement the Member States and persuade them to the superiority of the EU level agencies to represent the Union at the global scale. In addition to Paragraph 3, Paragraph 4 of Article 109 points to the international representation of the Community in the policy making processes related to fiscal, financial and other economic policies that is possible to be negotiated at the Group of Seven (G-7) meetings which is formed of finance ministers and central bankers. To deal with this matter, it is the Council to decide on international representational arrangements by unanimity and on the substantive situations by qualified majority vote (Henning, 1997: 40-1).

Since the monetary policy does not possess clear-cut objectives like the trade policy, it creates uncertainty, thus prevents the spill-over effect to occur in order to encompass further widening of the Union’s sphere of representation in a manner of breaking down the resistance of national governments who would demand for more international presence in order to move beyond the goal of price stability towards participating within the global scale through covering the fiscal problems and then pave the way for not only technocratic issues but also for an efficient and legitimate governance style which would possess the competence to regulate the relation between regionalization in Europe and globalization. In this sense, the growing interconnectedness between the issue-areas arises as a corollary.

From this perspective, managing the value of the euro emerges as a vital policy objective since that fact can increase the competitiveness of the EU products in world markets (McNamara, 2005: 150) thus strengthens the international trade policy with the back-up of the monetary objectives. This aspect illustrates the interconnectedness of issue-areas and paves the way to argue how regionalization in Europe can go hand in hand with the institutional settings at the global scale. In this realm, the representation of the internal dimensions as depicted above within the frame of institutional settings and its reflection at the international scale expose whether there is a place for the EU in international monetary system to shape it by pursuing the common interests that are accumulated at the EU-level. To assess this aspect, the role that the Union plays in G-7 and the IMF will be analyzed below.

EU and its Presence in International Monetary Fora: G-7 and IMF

The presence of the EU as a single body in terms of representation of the single currency would enable the EU to enjoy shaping the international monetary system and alter the interests of institutional arrangements to the extent of harmonizing the common interests of the EU within the G-7. But who should be responsible for external representation when both the Commission and the Ecofin are not granted the competence to be the sole negotiator as it is granted to the Commission in the trade policy of the EU?

To understand the mutual relationship between the G-7 and the EU, it is necessary to outline what the G-7 stands for and what are its responsibilities. In a nutshell, G-7 is remarkable since it is being a platform for assembling government officials of the seven largest industrialized, market-oriented and democratic countries, which are, France, Germany, Japan, United Kingdom, United States, Canada and Italy. The European Union

represented by the president of the European Commission and the presidency of the Council of Ministers –which is why it is also called as G-8- takes part in the group wherein political and economic issues are discussed. Apart from EU's representation, more specifically, the leading role of the G-7 is framed by the responsibilities such as world growth and stability, exchange rates, current account imbalances, the position of its members in relation to other countries as well as the pattern of international economic system (Bergstein and Henning, 1996: 13-5-7). In order for the monetary and fiscal policies of European Union to overlap with the responsibilities of the G-7 through deliberation with the non-EU countries is an advantageous policy window for the EU to exert its influence in international fora. The obstacle that is faced is the states who are members of the G-7, France, Germany and Italy are the part of the Eurozone and Britain, who is the Member State that is a part of the G-7 but without being the member of Eurozone. In this realm, the EU members of the G-7 are unwilling to relinquish their advantaged position for the sake of a single voice which probably can weaken their national power (McNamara and Meunier, 2002: 859) due to the loose structuring of the Union in monetary policy that cannot be able to fortify the representation of the Euro. Nevertheless, in this respect, although the members contributing to the EMU has taken an important step to relinquish their national currency, the same behavior could not be observed in giving up the national sovereignty over its external relations (McNamara and Meunier, 2002: 850) in order to prompt the single voice of the euro which would strengthen the diplomatic power of the European Union as a single body in an informal international arrangements such as the G-7.

Since the G-7 is only being an informal arrangement, it cannot constrain the actors of EU Member States to accumulate their various positions into a congruent configuration that can strengthen the Union in the G-7. This argument satisfies that the members of the EU do not perceive the possible spill-over effect in order to determine who should speak on behalf of their names via representing the Union as a whole.

In this sense, with regard to the EU trade policy, the monetary policy is much ambiguous since it cannot provide the underpinning of why an external voice is needed and why Member States shall give up on their national sovereignty. The same resistance that the development of trade policy faced from the Member States was that they argued for the national competence of GATS and TRIPs and challenged the exclusive competence of the Commission to be the sole negotiator, as it is elaborated in the previous pages. The tension evolved could be solved by relying on the EJC, thus via exercising deliberations among the triangulation of the ECJ, the Commission and the Member States which are represented under the Council of Ministers, and arrived at a conclusion by corresponding the interests of both the Commission and the Member States. When this structure is taken into account, it is observed that same mediation machinery or platform did not occur to bring the institutional settings of Monetary Union which I prefer to refer as the absence of deliberations in the Eurosystem. In other words, when it is compared to the external representation, negotiating organization and decision-making in international trade, the institutional design of the trade policy could not be duplicated for monetary policy which would help to find a midpoint for the equivalence of national sovereignty and the need for effectiveness and control in international fora (McNamara and Meunier, 2002: 854). For instance, regarding the Union's position in the

IMF will provide the analysis of some implications in relation to possessing control in international fora. The representation in the IMF takes place by individual Member States of the Union which blockades the Europe to establish a common position (Henning, 1997: 65-66). Nevertheless, there are five separate executive directors that represent the members of the EMU; as two of them represent France and Germany and three of them represent groupings of states which also consist of non-EU Member States. In addition, the ECB which is competent for monetary policy has an observer status and an office at the IMF whereas the Commission has not granted such a place to enjoy representation (McNamara and Meunier, 2002: 858). Within this context, the Commission faces a resistance from the structuring of one of the main pillars of international financial structure and thus, renders the EU vulnerable against the effectiveness of the political superstructure that would reinforce the monetary and fiscal infrastructure. Moreover, the representation of the Member States on their own inevitably encourages the sovereignty idea vis-à-vis the exclusive competence of the Commission or the Council. This resistance of representational consolidation stems from the national governments, finance ministries and national central banks that think their role will be weakened. Large European states will be willing to preserve their individual representation as it is observed both in G-7 and the IMF (Henning, 1997: 57). This perception engenders a problem of how to achieve both being a crucial actor in shaping the international monetary system, yet at the same time maintaining the individuality of the member states to leave them a room to exercise national sovereignty. This dilemma implicates a crucial difference between the developments of monetary policy in respect to trade policy and signs for a shortcoming of monetary policy to construct an EU-level external

representation. More specifically, the European Union trade policy was successfully constructed both with the activeness of internal dimensions that are characterized by the Member States as demanding for a mixed competence for the new issue-areas of GATS and TRIPs. It was possible to do so because of the facilitative effect which is the lucidity of the legal basis for the competence. It has catalyzed the Member States' involvement in order to be efficient for the regulation of new issue areas. So that the harmonization within the EU along with the actors such as Article 133 Committee, Coreper or General Affairs Council, as a tenet of internal dimension, reflected at the international trade policy as being one of the conduits of the WTO which opens the way for becoming a partner that delineates the international trade system. Furthermore, the external dimension of the construction of international trade policy throughout the Uruguay Round to the formation of the WTO was a two way process that the skillful diplomacy of the EU, so the soft power has a place to build up interconnectedness between the European Union and the WTO. Thus, the bargaining power of the EU and the deliberations took place at the international scale overlapped successfully since those deliberations were maintaining a channel for information flow and sustaining the communication as it connects the Europeanization and globalization. Compared with the international monetary policy, the goal of being a global actor and concurrently strengthening the integration of the EU (McNamara and Meunier, 2002: 860) was not as successful as it is happened in the trade policy. A shortcoming that is observed is the absence of a lucid political representation in the governance of monetary policies in relation to the other actors of international monetary system. In this regard, the technocratic character of the EU under the representation of the ECB or the Commission is unsatisfactory to construct coalitions to

realize policy decisions that are in respect of the macroeconomic policy governance (McNamara and Meunier, 2002: 860-1). In this regard, the euro's single voice is suffering from the lack of a channel which could canalize credibility by cementing the Eurozone to the agents of international monetary structure, such as G-7 and IMF. Since there is no reliable institutional arrangement to take over the competence to speak on behalf of the EU as a whole, the divergence of policy decisions cannot be harmonized due to the lack of deliberative means. One of these means tried to be elaborated above by introducing the Eurogroup which can be a platform to construe and to compose policy decisions, but, the risk that is perceived was the risk of undermining the credibility and the independence of the ECB (McNamara and Meunier, 2002: 862). This view is highly technocratic and what is worse it restricts the monetary policy within the borders of the regulatory mechanism of EMU. However, for the EU to be a partner in the international monetary system as it is in international trade system there needs to be a reflective mechanism that accounts for the transparency of the deliberations both in internal and external sphere in which the EU gets affected and creates effects for both for its Member States and the international fora.

For this reason, I argue that this reflective mechanism is highly crucial to back up the EU's position in international institutional settings in accordance with its place in international trade policy to be a robust actor. In this sense, the single voice of the euro endorses the health of the international monetary system as well as guarantees the durability of the monetary union (McNamara and Meunier, 2002: 865).

In this regard, the important question is where can a change come from or what can trigger the need of a reflective mechanism. If the EU Member States cannot settle on who should be the conduit for the Euro, than the change that can challenge this regulatory

system may come from the international system that can have an affect on the institutional arrangements and the Member States (McNamara and Meunier, 2002: 865). If it is so, what can global financial crisis offer for the EU in the current institutional settings?

A Signal for Better Representation ?

The evolution of the trade policy has acquired by the perception of the effects from the international settlement for the trade regime. What has been significant for the adaptation of the European Integration with the international trade regime was the facilitative effect of the deliberation among the EU-level actors. The major pitfall for the monetary policy was the inability to realize its adaptation with the international monetary system through the competence of external representation. In this frame, in the picture of trade policy the external structuring has played a crucial role as the Union itself has been the part of it whereas in monetary policy, the Union had tried to find a cleavage to absorb in it, thus to shape the harmonization of mutual interests in relation to other significant players such as the United States. Since the United States is the major player in international fora that the EU faces both in the WTO Rounds and in the G-7 or IMF meetings, it is important for the EU to strengthen its voice to be heard. That is why today's momentous crisis has a momentous meaning for the EU to construct a single voice to respond the global financial crisis. Accordingly, this moment can sign for an EU-level agency to take the burden of policy coordination responsibility for the European Union in parallel with the coordination at the global scale. In this scale, the European Commission has a valuable contribution to underline the underpinnings of a response to global financial crisis:

“The current financial crisis has underlined more than ever the interaction between macroeconomic policies and financial markets on a global scale. Addressing it will hence require tackling both regulatory and supervisory failures, as well as the macro-economic and exchange rate imbalances that are among the origins of the current crisis. The financial crisis has raised issues of global governance, which go beyond the purely financial sector. The issue of global imbalances has come to the fore, but must also be seen in the broader context of the need to maintain the EU's commitment to open markets in trade and services and deeper multilateral co-operation, fighting against protectionist tendencies and pursuing a positive outcome of the WTO Doha Round.” (Commission, 2008: 7-8)

Although the Commission highlights the interconnectedness between the issue-areas of monetary policies and trade policies, the rhetoric is restricted within the borders of regulatory mechanism which could pave the way for cementing the objectives of international trade and monetary policy. For instance, in order to appease the risks of the financial crisis, the Commission promotes the Ecofin roadmaps which favor the “strengthening the international consistency and quality of regulatory standards, including implement reforms and extend them at global level.” (Commission, 2008: 9). In addition, though the Commission accepts that the current crisis has exposed some flaws that are inherent in the European regulatory system, it claims that Europe is well placed to play an active role in shaping the new global architecture and making it work effectively by attributing significance to the transparency, accountability and representation of the Union. With regards to representation, Commission states that;

“Global groups should include key emerging countries to improve the legitimacy of the decision making process. The fragmented representation of the European countries and of the euro area should also be addressed to increase the EU's overall effectiveness and influence.” (Commission, 2008: 9)

Although the Commission does not necessarily address to how the competence should be regulated in a way of producing single voice, the meeting of the G-7 finance ministers has produced a common voice to be heard in the IMF annual meeting in Washington. This voice encapsulates the improvements in the fiscal and banking regulation and a crisis management between the national authorities (Duncan, *The Times*, 2007). So far, the regulatory mechanism is working properly within the institutional arrangements at the global scale. But what about constructing and ameliorating the representational competence of the Union? In a time of a current momentous crisis the EU-level actor that comes into prominence is the European Commission who speaks on behalf of the Union simultaneously as a conduit of the global monetary and finance architecture as the words of Mr. Barroso illustrates;

“We need a co-ordinated global response to reform the global financial system. We are living in unprecedented times, and we need unprecedented levels of global co-ordination...” (Dyer and Minder, *Financial Times*, 2008).

This picture reveals that the presence of the European Union in G-7 or in the IMF has an importance for the sake of the European integration to ameliorate the economic governance through sustaining the external representation which includes the components of diplomatic power that exercise deliberation through transgovernmental ties that the international fora offers. More importantly, the underpinning of the external representation is the importance of the linkages between different issue-specific layers as in the case of trade policy in regards to monetary policy. Unfortunately, loose configuration of the monetary policy unlike the trade policy creates an asymmetry in terms of the external representation of the Union in the both issue-areas. These asymmetries could be eliminated, as the flaws that the international system created as in

the case of the global financial crisis, put pressures upon the interests of the actors within the EU thus urges for a platform that serves for harmonization of the mutual interests among the other participants of the institutions. As long as how the EU is represented controversial, the canalization of the interests could engender ramifications that are not serving to the different interest groups in the different Member States. This diversification can be appeased by the help of an arrangement which cannot be reduced to an institution as well as cannot be complicated by a highly technocratic settlement. The argument here is that, for the balance between the national authorities and the European Union to occur, the mechanism that should channel the various interests into a pool at the EU-level has to be consist of both national and regional level actors involving into an interaction with the responsible actor or actors at the EU-level. Though this mechanism sounds like complicating the picture, it is the viable way to gain transparency and accountability so that the mutually constitutive effect occurs hence freights meanings to the institutionalism that transpires at the EU-level and by the skillful diplomacy, hence the soft power of the Union, contribute to the external representation in the international monetary arena. Finally, the construction of competence will be completed as opposed to the way in which the competence has evolved and gained a top-down nature in the trade policy of the Union.

III. Concluding Remarks

The European integration has been functioning successfully in the trade policy processes by the incremental tendency of stronger institutional settings which are able to coordinate the information flow; hence perception of interests. Nevertheless, more importantly the legal basis provides the representational competence to be reflected in the

international fora as in the case in WTO. But the comparison with the monetary policy, which is another dimension of the economic governance at both in terms of regionalization hand in hand with globalization, reveals that taking the trade policy as a successful model does not necessarily imply for the enhancement of the place of EU in relation to the units of international fora such as the G-7 and the IMF.

This overall configuration at the EU-level reveals some gaps in the ways of managing the incorporation within international fora, especially the places in the WTO, G-7 and the IMF. Since the interconnectedness is an indispensable concept of the globalization, the interconnectedness between these institutions cannot be taken out of the analysis and the gaps that I refer as the lack of accountability at the representational competence in international stage which I scrutinized in a comparison of trade and monetary policy. However, an external force such as the current global financial crisis can force the EU to cement its position in international fora through internal configurations which can make its stance stronger.

To make the EU's external stance more accountable and credible both to the internal dimensions such as Member States and to the partners in international fora, there needs to be a design in the EU, which can facilitate the structuring of other facilitative mechanisms. The arrangement including different interest groups advocating different ideas, can be done in a manner of operating independently from any pressures so that they can construct what is said to be "common interests" in relation to the institutional settings in the EU. Especially since the EU-level actors such as the Ecofin or more importantly the Commission can only function in the monetary policy area to an extent of generating consensus or coordination, to whom they can be accountable for can be

sustained by nurturing the coordination with the representation of the different interests. During this process, an interaction between the institutional actors and the actors in the issue-specific areas like business associations, interest groups or labour unions should be enforced. This is particularly advantageous for the European Union to satisfy the need for serving as a political entity that is able to bring the different interests closer and transform them into common EU interests.

Finally, the fact that the analysis is constructed in a framework of how the internal dimensions in trade and monetary policies contribute to the external existence of the EU, some points are rendered as uncovered. As a suggestion for future analysis, it will be beneficial to choose a more specific occasion that the EU exercises its bargaining power which can demonstrate how the EU manages internal institutional settings in accordance with, for example, its stance in the WTO. By the same token, the same analysis could be done by choosing a specific occasion that the EU operates and demonstrates the shortcomings it faces in internal settings due to lack of coordination and harmonization between EU-level actors and the different actors such as business associations, different interests groups or labour unions. By doing so, it will become more apparent to designate an institutional mechanism which can render the external representation not as obstructive but constructive by specially referring to how interests can be redefined to give a meaning to what “common interests” are.

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