

# *Fordham International Law Journal*

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*Volume 22, Issue 6*

1998

*Article 10*

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## The European Union in International Affairs: Recent Developments

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# The European Union in International Affairs: Recent Developments

Hugo Paemen

## **Abstract**

I have been invited to discuss the changing role of the European Union (or “EU”) in the world today. Let me start by highlighting some random examples of EU action in international affairs during 1997. As Europe continues to integrate domestically, it will be forced to reassess the image that it projects in the world. As it does so, institutional reform will become even more compelling if the European Union is to conduct the coherent external policy that most people in the world expect of it. Some had hoped that last the June 1997 Summit in Amsterdam would at least start to solve these institutional questions, but the heads of state and government decided that the time was not yet ripe for change. But it is only a matter of time before the myriad of challenges facing the European Union and its role in the world force the issue back onto the agenda.

## THE EUROPEAN UNION IN INTERNATIONAL AFFAIRS: RECENT DEVELOPMENTS

*Ambassador Hugo Paemen\**

I have been invited to discuss the changing role of the European Union (or "EU") in the world today.

An ambassador, by definition, is not supposed to be an expert, and certainly not in constitutional systems. So, I will describe the European Union's external policy from the standpoint of a practitioner. I am aware that this approach is not a very glorious way to avoid a legal duel with Jacques Bourgeois, but, this type of confrontation is not something that I would advise in any case.

At the outset, I should make a clear distinction between the terms "European Community" (or "EC") and "European Union." After all, until the Treaty of Amsterdam<sup>1</sup> comes into force, only the European Community will grant it legal personality. Therefore, please forgive me if occasionally I use the term European Union where it is not correct. We went through a very painful adjustment period to go from the European Community to the European Union, so it is somewhat difficult now to make the distinction.

Let me start by highlighting some random examples of EU action in international affairs during 1997. In the trade sector, it is generally recognized that the European Union played an important role in two significant World Trade Organization ("WTO") agreements. The first agreement, the Telecommunications Services Agreement,<sup>2</sup> was reached in February and covers about ninety percent of world revenues in the telecommunications sector. The second agreement was the December Agreement on Financial Services,<sup>3</sup> covering about ninety-five percent of trade in the banking, insurance, and securities sectors.

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1. Treaty of Amsterdam amending the Treaty on European Union, the Treaties establishing the European Communities and certain related acts, Oct. 2, 1997, O.J. C 340/1 (1997) (not yet ratified) [hereinafter Treaty of Amsterdam].

2. World Trade Organization: Agreement on Telecommunications Services, Feb. 15, 1997, 36 I.L.M. 354.

3. No publication available.

Also in 1997, the European Union donated ECU 438,000,000 (approximately US\$500,000,000) in humanitarian aid, much of it going to the people displaced by terrible events such as those that occurred in Rwanda. If you add to this contribution the aid donated by Member States individually, the European Union becomes the world's top humanitarian aid donor.

An EU special envoy has been working throughout the year to support the Middle East peace process. Also, the European Union has adopted or renewed positions with respect to problematic states such as Cuba and Burma. Finally, it is fair to say that the European Union led the industrialized nations in their decision to reduce greenhouse emissions by the year 2010 at the Kyoto Summit on Climate Change<sup>4</sup> in December. It is true that we did not field a team at the Nagano Olympics, but these examples leave little room for doubt that the European Union has developed into a really significant actor in many international spheres.

But it is not only traditional external policies that will define and dictate the European Union's external role in the future. As the European Community has integrated to create a single European market and with further integration on the horizon in the form of the Economic and Monetary Union ("EMU"), the European Union's domestic policies are increasingly influencing its role in the international arena.

When the idea of integrating European economies first took root after World War II, its basic *raison d'être* was to prevent the recurrence of inter-Nicene hostilities between the European nations by establishing irreversible links among their economies and solidarity between their peoples. There was no thought given to creating a new-world power. In fact, quite the contrary was true. The economy was seen as the instrument to achieve what was essentially a political goal of consolidating peace on the continent.

Since 1958, the EU Founders' vision expanded geographically as the European Union enlarged successively from a membership of six to the current membership of fifteen nations, and, with the Single European Act<sup>5</sup> and the completion of the single

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4. Conference of the Parties to the Framework Convention on Climate Change: Kyoto Protocol, Dec. 10, 1997, 37 I.L.M. 22 (1998).

5. Single European Act, O.J. L 169/1 (1987), [1987] 2 C.M.L.R. 741 [hereinafter

market, economic integration has created a truly cohesive entity. As early as 1973, with the first enlargement to a community of nine, the European Community became the world's largest trading bloc. It now accounts for about twenty percent of world exports and about nineteen percent of world imports. The European Union's gross domestic product ("GDP") has risen to some US\$8.6 trillion, compared to about US\$7.2 trillion for the United States and US\$5 trillion for Japan. This rise in GDP has evidently had its own implications for the importance and scope of EU external relations.

The original Treaty of Rome<sup>6</sup> contained three major provisions in the area of external relations. First, a special regime for development aid and cooperation was established,<sup>7</sup> initially aiding developing countries that had a long-standing relationship, mostly of a colonial nature, with founding Member States. This regime was then developed and extended through the so-called Yaoundé<sup>8</sup> and Lomé<sup>9</sup> Conventions, until today, when seventy developing countries are linked to the European Union in this way. Over ninety-nine percent of their imports enjoy free access to the European Union without offsetting concessions.

A substantial review is now underway to look at future options for the relationship when the present agreement expires in two years time. In parallel, the European Union's developmental activities have grown to include virtually all of the developing world, with an expanding variety of instruments and total annual spending commitments of around ECU4 billion.

Second, the Treaty of Rome provided for the conclusion of so-called "association agreements."<sup>10</sup> The first association agree-

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SEA] (amending Treaty establishing the European Economic Community, Mar. 25, 1957, 298 U.N.T.S. 11 [hereinafter EEC Treaty]).

6. EEC Treaty, *supra* note 5.

7. *Id.* arts. 131-36, at 65-67.

8. The Yaoundé Conventions link the European Community to African states, providing, among other things, financial and technical assistance for economic development. Convention of Association Between the European Economic Community and Associated African States, Jul. 20, 1963, 2 I.L.M. 971; Convention of Association Between the European Economic Community and Associated African States, Jul. 29, 1969, 9 I.L.M. 484 (1970).

9. European Economic Community-African, Caribbean, and Pacific Countries Convention ("ACP-EEC Convention"), Feb. 28, 1975, 14 I.L.M. 596; Second ACP-EEC Convention, Oct. 31, 1979, 19 I.L.M. 327; Third ACP-EEC Convention, Dec. 8, 1984, 24 I.L.M. 571 (1985); Fourth ACP-EEC Convention, Dec. 1, 1989, 29 I.L.M. 783 (1990).

10. EEC Treaty, *supra* note 5, art. 238, at 92.

ments were concluded with countries in the Mediterranean, essentially on grounds of domestic security, starting with Greece and Turkey. Since then, agreements with different degrees of commitment and different economic and political purposes have been concluded with almost every country, except some of the most-developed countries such as the United States, Japan, and Australia.

Association agreements entail the closest relationship with the European Union and, while they usually involve some form of reciprocal obligation, tariff-free entry of most manufactured products into the European Union lies at their heart. Agreements with countries of the European Economic Area,<sup>11</sup> the Mediterranean, and the so-called Europe Agreements<sup>12</sup> with Central and Eastern European countries all fall into this bracket, although these agreements differ one from another in their purpose and scope.

By contrast, non-preferential trade and cooperation agreements, the type the European Union has negotiated with many countries of Southeast Asia and Latin America, tend to provide a first step towards closer relationships that will solidify over time. These agreements are usually aimed at lesser-developed countries and typically include cooperation instruments to provide infrastructure assistance. Between these two types of agreements, the European Union has developed a hybrid of "partnership agreements" sharing features of cooperation accords and Europe Agreements to manage its relations with the successor states of the former Soviet Union. What is striking about all these agreements is the extent to which, although based on commercial goals, they also function to fulfill political considerations.

Third, and finally, once the Founders chose the option of a customs union as the vehicle for their vision, which entailed a unified border regime, a common trade policy vis-à-vis the rest of

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11. Agreement on the European Economic Area, O.J. L 1/1 (1994).

12. The Europe Agreements are a series of association agreements into which the European Community entered with various Central European countries pursuant to the authority granted in Article 238 of the Treaty establishing the European Community. Roger J. Goebel, *The European Community and Eastern Europe: "Deepening" and "Widening" the Community Brand of Economic Federalism*, 1 NEW EUR. L. REV. 163, 218-23 (1993).

the world was inevitable. By default, the European Community became an actor in world trade.

The Treaty of Rome set out the basis for the common commercial policy.<sup>13</sup> From the beginning, the European Community has retained exclusive competence for this policy, with the European Commission ("Commission") acting on behalf of the European Community on the basis of a qualified majority from the Council. The European Community, although not itself a contracting party, participated from the start in the multilateral trade negotiations organized in the framework of the General Agreement on Tariffs and Trade ("GATT"),<sup>14</sup> and has been a *de facto* member of GATT since the early 1970s. The European Union is also, together with the Member States, a Founding Member of the WTO.

The scope of negotiations and the work of GATT has been substantially extended over the years to keep pace with the forces of globalization and as attention has shifted from traditional trade barriers. Now, in addition to tariff rules, there are WTO rules on the whole repertory of non-tariff barriers, intellectual property, investment measures, and services, as well as discussions on the interaction between trade and other policies such as environment and competition.

Indeed, it was perhaps during the concluding phases of the Uruguay Round<sup>15</sup> that the full stature of the European Union in global trade affairs was displayed for the first time as the world spotlight fell on the European Union and the United States hammering out the final deal. Ironically, it was at that moment that an internal debate arose between EU Member States and the Commission about the coverage of the existing commercial policy provisions—the famous Article 113<sup>16</sup>—as it related to the areas of intellectual property and services. During the course of the debate, the Commission negotiated agreements covering both of these areas, using standard European Economic Com-

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13. EEC Treaty, *supra* note 5, arts. 113-16, at 60-61.

14. General Agreement on Tariffs and Trade, Oct. 30, 1947, 61 Stat. A3, T.I.A.S. No. 1700, 55 U.N.T.S. 187.

15. *Id.*

16. Treaty establishing the European Community, Feb. 7, 1992, O.J. C 224/1, at 44 (1992), [1992] 1 C.M.L.R. 573, 656 [hereinafter EC Treaty], *incorporating changes made by Treaty on European Union*, Feb. 7, 1992, O.J. C 224/1 (1992), [1992] 1 C.M.L.R. 719 [hereinafter TEU]. The Treaty on European Union ("TEU") amended the EEC Treaty, *supra* note 5, as amended by SEA, *supra* note 5.

munity commercial policy procedures. Nevertheless, when the European Court of Justice was consulted, it stated in Opinion 1/94 that only certain aspects of the two sectors could be considered as falling under Article 113, and thereby under the European Community's competence.<sup>17</sup> Consequently, the rest had to be treated as falling under the external competence of Member States.

During the Intergovernmental Conference that produced the Treaty of Amsterdam, the Commission, reacting against Opinion 1/94, made a proposal to enlarge the scope of the relevant treaty provisions to include explicitly services and intellectual property. But, Member States balked at the idea. It is undeniable that Opinion 1/94 represents a step backwards in what had been, up until then, the successful development of EC commercial policy. This digression is something on which I imagine Jacques Bourgeois will comment further.

Although the Treaty of Amsterdam has made some amendments making it clear that Article 113 procedures can extend to the full range of intellectual property and services, it still represents a high hurdle in that decisions relating to these sectors must initially be unanimous.<sup>18</sup> In contrast, other fields covered by Article 113 are only subject to decision by a qualified majority. Given the relatively strong growth expected in future services trade, as well as in trade related to intellectual property, this development will inevitably shrink the *de facto* scope of the commercial policy. Even with the provisions of the Amsterdam Treaty, enabling the Commission to act as spokesperson in this type of negotiation,<sup>19</sup> it will be much harder to reach a community position if Member States are forced to reach a consensus.

Already, this unanimity requirement is being used against

17. Opinion 1/94, [1994] E.C.R. I-5267, I-5401, [1995] 1 C.M.L.R. 205, 316.

18. Treaty of Amsterdam, *supra* note 1, art. 2(20), O.J. C 340/1, at 35 (1997) (inserting art. 113(5) into EC Treaty); Consolidated version of the Treaty establishing the European Community, art. 133(5), O.J. C 340/3, at 238 (1997), 37 I.L.M. 79, 108 (not yet ratified) [hereinafter Consolidated EC Treaty] (art. 113(5) of EC Treaty), *incorporating changes made by Treaty of Amsterdam, supra*. By virtue of the Treaty of Amsterdam, articles of the EC Treaty will be renumbered in the Consolidated version of the Treaty establishing the European Community. Treaty of Amsterdam, *supra*, art. 12, O.J. C 340/1, at 78-79 (1997).

19. Treaty of Amsterdam, *supra* note 1, art. 2(20), O.J. C 340/1, at 35 (1997) (inserting art. 113(5) into EC Treaty); Consolidated EC Treaty, *supra* note 18, art. 133(5), O.J. C 340/3, at 238 (1997), 37 I.L.M. at 108 (art. 113(5) of EC Treaty).



us. Despite the fact that the European Union is the guarantor for implementing the Agreement on Trade-Related Aspects of Intellectual Property Rights<sup>20</sup> ("TRIPs") throughout the European Community, some WTO members have introduced cases related to these sectors against individual Member States instead of against the European Union as a whole. For example, the United States has brought various TRIPs cases against Member States, including Ireland, Sweden, and Denmark.<sup>21</sup> This setback shows a clear reluctance on the part of Member States to extend the scope of the European Community's competence in a way that takes account of services and intellectual property issues currently forming an integral and important part of trade policy and international trade.

The main argument of the Commission in the discussions was based on the need for the European Union to be effective in international negotiations. But the Member States were not ready to be convinced, perhaps because the very success of the Uruguay Round sparked concerns about the balance between the respective roles of the European Community and Member States in international affairs, a reaction reminiscent of the debate over the Common Foreign and Security Policy ("CFSP").<sup>22</sup>

The proposals to work out a common foreign and security policy beg the question of whether this setback in the European Union's ability to act efficiently and coherently in trade matters has been compensated by additional external competencies elsewhere. Indeed, at a very early stage in European unification, political leaders in Europe became aware, insofar as they had not been convinced from the beginning, of the inevitable political dimension of economic integration, particularly of its impact on the rest of the world.

At what was still at that time called the European Summit, in the Hague in December 1969, the heads of state and government of the six Member States asked their ministers of foreign affairs to study how progress could best be made in the area of

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20. Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, *LEGAL INSTRUMENTS—RESULTS OF THE URUGUAY ROUND* vol. 31, 33 I.L.M. 81 (1994).

21. For instance, the United States brought a case against Ireland regarding measures affecting the grant of copyrights and neighboring rights.

22. TEU, *supra* note 16, tit. V, O.J. C 224/1, at 94-96 (1992), [1992] 1 C.M.L.R. at 729-34.

political unification. Their report, which not surprisingly proposed cooperation in the area of foreign policy, became the basis of what would for the next twenty-five years be called European Political Cooperation ("EPC").<sup>23</sup> The procedure was purely intergovernmental and based on unanimity, a procedural constraint reflecting a strong belief that foreign policy decisions remained under the sovereign competence of national governments.

In the beginning, cooperation at ministerial as well as at official levels was totally separate from the discussions and the decision-making in the context of the European Communities. In addition, the Commission was rarely consulted. Soon, of course, this artificial separation had to be abandoned. The Commission became a regular participant, and in rare cases where foreign policy decisions required implementation, for instance, in cases of economic sanctions, this decision-making had to be done in a community context.

Although the Single European Act in 1987 established a legal base for EPC, in other respects it remained largely unchanged and largely intergovernmental. It was only when faced with the challenge both by upheavals in Central and Eastern Europe, and later the European response to the Iraqi crisis in 1990 and 1991, that thoughts turned once more to extending cooperation in foreign policy. The result, among the common objectives of the Maastricht Treaty, was "the implementation of a common foreign and security policy including the eventual framing of a common defence policy . . . ."<sup>24</sup> To the extent that Title V brought foreign policy under the umbrella of the European Union, it represents a step forward in clarity and intent. And, by bringing the Council to the heart of the structure, it has streamlined procedures and removed some of the contortions of EPC.

There are also more transparent instruments. Member States have to conform to common positions of the Council and, through joint actions, are committed to acting in support of these common positions. Finally, provisions of the Amsterdam Treaty give CFSP a clearer character by creating a high represen-

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23. For a description and analysis of such foreign policy coordination, see EUROPEAN POLITICAL COOPERATION IN THE 1980S: A COMMON FOREIGN POLICY FOR WESTERN EUROPE? (Alfred Pijpers et al. eds., 1988).

24. TEU, *supra* note 16, tit. I, art. B, O.J. C 224/1, at 5 (1992), [1992] 1 C.M.L.R. at 727.

tative of EU foreign policy,<sup>25</sup> assisted by a new policy planning and early warning unit in the Secretariat of the Council.<sup>26</sup>

But, for all these developments, CFSP is dogged by the legacy of EPC. Decision-making procedures remain cumbersome. The European Council defines the strategies, principles, and general guidelines within which the Council makes decisions and, crucially, those decisions are still taken unanimously with the result that even the most innocuous resolution can potentially be held to ransom.

The Amsterdam Treaty has brought limited majority voting for implementing foreign policy once it has been agreed in outline by unanimity.<sup>27</sup> But European leaders retain an internal dichotomy—schizophrenia is probably a better word—that they consider a common foreign policy to be desirable in general terms, but cannot bring themselves to achieve it if it means having to forgo their own national external policies.

Not surprisingly, CFSP and the striving for political union in that respect have not produced any spectacular results to date. A new title and revised procedures are no substitute for political will and cannot make Member States any more likely to agree on appropriate action in a given situation than they have in the past. In fact, many of the European Union's concrete achievements in foreign policy terms have come through the European Community's existing external powers.

Even where a foreign policy position has been reached, its definition and implementation have been largely helped forward by the existence of EC instruments, particularly those of a budgetary nature. For example, EC instruments advanced EC external policy with respect to the Mediterranean and the New

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25. Treaty of Amsterdam, *supra* note 1, art. 1(10), O.J. C 340/1, at 13 (1997) (replacing J.8(3) of TEU); Consolidated version of the Treaty on European Union, art. 18(3), O.J. C 340/2, at 159 (1997), 37 I.L.M. 67, 72 (not yet ratified) [hereinafter Consolidated TEU] (art. J.8(3) of TEU), *incorporating changes made by* Treaty of Amsterdam, *supra*. By virtue of the Treaty of Amsterdam, articles of the TEU will be renumbered in the Consolidated version of the Treaty on European Union. Treaty of Amsterdam, *supra*, art. 12, O.J. C 340/1, at 78-79 (1997).

26. Treaty of Amsterdam, *supra* note 1, Declaration on the establishment of a policy planning and early warning unit, O.J. C 340/1, at 132 (1997).

27. Treaty of Amsterdam, *supra* note 1, art. 1(10), O.J. C 340/1, at 14-15 (1997) (replacing J.13(2) of TEU); Consolidated TEU, *supra* note 25, art. 23, O.J. C 340/2, at 160-61 (1997), 37 I.L.M. at 72-73 (art. J.13(2) of TEU).

Transatlantic Agenda<sup>28</sup> between the European Union and the United States, as well as enhanced cooperation with Asia through the ASEAN Initiative,<sup>29</sup> all of which were built on long-standing relations forged through external economic ties. A similar economic basis supports the European Union's contribution to the peace processes in the Middle East and former Yugoslavia. Moreover, the European Union's quintessentially political relations with Central and Eastern Europe have been focused through Europe Agreements negotiated under the European Community's competence.

Action has rarely been taken under CFSP. The areas in which it has proven most successful, usually involving money, are those where its procedures have been most *communautaire*. In 1995, the European Union gave Russia US\$1.5 billion to assist its transition to democracy. In 1996, European humanitarian aid was almost US\$2 billion, one-third more than the United States. But, because Member States have proved reluctant to contribute to CFSP action from national budgets, EC financing has become the norm, leading inevitably to indirect communitization of CFSP as the Commission presents the budget and the European Parliament decides in relation to non-obligatory expenditure.

Returning to my earlier question, in theory, CFSP has certainly added to the competence of the European Union to act in external matters. In practice, without the political will necessary to adapt the decision-making machinery or to use it effectively, CFSP has done more to raise, and then to disappoint, expectations than it has to enhance the European Union's international role. That said, the Treaty of Amsterdam did make another change, which may in the long run have a profound effect on the European Union's international standing. Bringing in a large part of cooperation in justice and home affairs, including border control, visa policy, and asylum procedures,<sup>30</sup> will make the European Community a more viable interlocutor in issues

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28. The New Transatlantic Agenda, vol. 6, no. 49 U.S. Department of State Dispatch, 894-96, Dec. 4, 1995.

29. Association of Southeast Asian Nations Declaration, Aug. 8, 1967, 6 I.L.M. 1233.

30. Treaty of Amsterdam, *supra* note 1, art. 2(15), O.J. C 340/1, at 28-32 (1997) (inserting tit. IIIa into EC Treaty); Consolidated EC Treaty, *supra* note 18, tit. IV, O.J. C 340/3, at 200-05 (1997), 37 I.L.M. at 89-91 (tit. IIIa of EC Treaty). Title IIIa comprises the substantive areas that have been transferred from the former cooperation in justice and home affairs to the European Union's competence.

such as crime and drugs, which preoccupy allies such as the United States.

So far I have concentrated on the European Union's role in external affairs as it derives from its external policies. As I said before, there are other areas where internal policies have or are likely to spill over and impact the international arena. One example is that of competition policy, an area in which the Commission has been active since the early 1960s. Competition rules have always been regarded in Europe as a necessary complement to the creation of a single market. They were designed to ensure that the benefits of tearing down regulatory barriers would not be undermined by the anti-competitive behavior of the private sector. The enforcement of such rules was also directed at foreign companies that had a commercial presence in the European Union or who were otherwise affecting market conditions in Europe by their behavior.

With increasing worldwide economic interdependency and the emergence of global markets for a large number of products, more and more competition cases concern operations that take place outside of the European Union. The most striking example was last year's merger between Boeing and McDonnell Douglas. As you know, competition authorities on both sides of the Atlantic examined the operation and came to different conclusions, the Commission being more stringent in its approach. Fortunately, we managed to avert a major controversy because Boeing agreed to certain conditions in implementing the deal. But this case shows that even in carrying out policies that have traditionally been domestic, we are increasingly influencing economic conditions in other parts of the world. In addition, the Boeing/McDonnell Douglas example underlines the need for international rules and mechanisms to address cross-border competition problems.

Nowhere is the external effect of domestic policies likely to be as potent as the EMU, currently on track to enter into force at the beginning of next year. This issue is essentially a domestic one, the next natural step of European internal integration. But we can expect it to give a major boost to future EU negotiators in their contacts with the rest of the world, a fact as true for business as it is for governments.

First and foremost, we expect that the Euro will be benefi-

cial for international trade. The criteria for prudent economic management required in order to prepare for the EMU are the recipe for low interest rates, strong investment growth, and therefore high growth and job creation. Given that the European Union's GDP is larger than either the United States' or Japan's, we can also expect that the Euro, over time, will play an increasingly important role in international trade. The Euro's importance will probably surface first in countries that have close economic and trade relations with the European Union, but gradually throughout the rest of the world. The increasing use of the Euro does not mean, of course, that the dollar will not continue to play a very important role. Likewise, given the current dominance of the dollar in international capital markets, there is some scope for an increasing presence for the Euro, and we expect corresponding movements in its role as a reserve currency and in exchange markets.

Although the procedures relating to official international representation in monetary and financial matters have not yet been worked out, there is no doubt that participants representing a currency area the size of the Euro will have a strong voice in international economic discussions. It is up to Europeans to organize themselves in an appropriate and effective way. But, in light of what I said earlier, one can hope that the results will be more impressive than CFSP.

All in all, the European Union has, at least potentially, a broad spectrum of competence to conduct external relations and a correspondingly wide array of policies. Not surprisingly, it is most effective and is taken most seriously as an actor on the world stage in those areas where it has exclusive competence, and, inversely, it appears to be weakest where its competence to act is weakest.

Increasingly, the European Union's size and growth will project its domestic policies into the international arena. Already we are seeing the effects not only of competition policy, but also of other policies that are designed to protect public interests, such as privacy, environmental protection, health and safety, animal health, and so on. EMU, the next logical step in domestic integration, is likely to have a major impact not only on international markets, but also on the weight attributed to the European Union as an international actor.

All of these things will, of course, go hand in hand with increased responsibilities of the European Union, and one can only hope that Member States and EC institutions will find a workable and convincing answer to these new challenges. It still remains true, however, that what the European Union can show in terms of international clout today is largely based on its weight as a trading partner to the rest of the world. It is in this area more than any other that the European Union has been in a position to argue, negotiate, and deliver as an equal partner to its major competitors. Its increasing role and stature in other sectors, foreign policy, monetary policy, the environment, developmental aid, and so on, still relies today to a large extent on its attractiveness and strength as a trading power.

But change is just over the horizon. As Europe continues to integrate domestically, it will be forced to reassess the image that it projects in the world. As it does so, institutional reform will become even more compelling if the European Union is to conduct the coherent external policy that most people in the world expect of it. Some had hoped that last the June 1997 Summit in Amsterdam would at least start to solve these institutional questions, but the heads of state and government decided that the time was not yet ripe for change. But it is only a matter of time before the myriad of challenges facing the European Union and its role in the world force the issue back onto the agenda.