

## The European Union and the Doha Round post Hong Kong



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### Agenda : Hong Kong, the end of the beginning

The Hong Kong summit has not remotely exhausted the Doha Round work programme. According to Pascal Lamy, at least 40% of the negotiations have yet to be conducted for the round to be concluded. The agenda stands as follows: a meeting scheduled for April followed by another in July should produce

an agreement on market access conditions for agricultural and industrial goods. This would afford enough time to reach a final agreement at the end of 2006, thus allowing for the conclusion of the Doha Round before the expiry of the American administration's "fast track" mandate\*.

\* The *fast track* mandate : The trade negotiations round begun in Doha must imperatively be concluded before December 2006 as the delegation of authority granted by the American Congress to the President to negotiate trade agreements – hitherto known as *fast track*, now referred to as *Trade Promotion Authority* – and which allows for their ratification without close scrutiny by the Congress expires in June 2007. Without an agreement in Hong Kong, there is no guarantee that George Bush will obtain the extension of this blank cheque.

### EU statements on the progress in negotiations

The EU's current position is that her Hong Kong proposals are ambitious enough. Peter Mandelson has stated that he would not put forward a new agricultural offer for as long as his partners did not make concessions on industry and services. According to the EU, the ball is now in the emergent countries' corner: it is down to them to open their services markets and ease access for industrial products

before the EU feels able to take any further step in agricultural matters. France, who, veto at the ready, has hitherto proved the country most averse to any change declared that she would promote an agreement evenly poised across the three pillars of agriculture, industrial products and services. She would not allow the negotiation round to come down to a "Yalta of agricultural markets".

## Other participants' positions

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**The United States:** in January, the US Trade Representative Rob Portman, turned the pressure on the EU by asking for an opening of agricultural markets much larger than what was already on offer. The United States insist that the concessions they allowed regarding tariff protection for agricultural goods are much more significant than the EU's even though the extent of these concessions as compared to EU proposals remains debatable.

**The Developing Countries:** they are unanimous in their demands for further EU concessions on agriculture. Their chief claim is that import duties on industrial products have been reduced by 50% to 70% in previous negotiations. Time has therefore come to look into agriculture in order to redress maladjustments arising from previous rounds. Developing countries also criticise the United States and Japan, whose tariff barriers on agricultural goods remain unsatisfactorily high, whilst American subsidies for cotton production endure. We must however discriminate between the different — sometimes differing — interests of developing countries, that is, to tell the “rich” countries with a strong agricultural export potential (say Brazil, top world exporter of beef in

2005) from the “poor” countries, net importers, mostly to be found in Africa. Cotton producing countries and cereal producing countries do not share the same positions. Finally, within these “rich” countries let's not confuse Brazil, chief detractor of the EU in this Doha round, with India who, though at the moment aligned on Brazil, looks for exemptions for its agriculture and could, in the long run, side with the EU, particularly with regards to services.

**The G10 countries:** these countries (Japan, Swiss, Norway, Bulgaria, Korea, Island, Israel, Liechtenstein, Mauritius, Taiwan), net importers of foodstuffs, are traditionally more conservative than the EU in agricultural matters. However, they have recently shown more cooperative than the Union. They offered to reduce by up to 70% the direct financial assistance they pay their farmers, “provided the overall balance be fair” — understand if other countries also reduce all subsidies most damaging to trade: the EU by 70%, Japan and the United States by 60%, and other developed countries by 40%.

## The EU in Hong Kong: failure or success?

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If the media are to be believed, the EU was both the chief villain and the great loser of the Hong Kong summit. Villain because its obduracy and selfishness in agricultural matters can be seen as detrimental to the development of poor Southern countries whilst undermining the multilateral system. Loser, because the discussion remained focused on agriculture alone, whereas the Doha round had begun with sweeping European aspirations on issues as far ranging as investment and competition.

There is, however, little evidence that Europe lost much in Hong Kong:

- Even if the media kept agriculture on the front page, important negotiations were conducted on the issue of market access for non agricultural goods, a major European concern.
- The important EU concession to eliminate agriculture export subsidies was not that significant: the Member States had, after all, agreed their eventual demise, and the rest of WTO members, settling for 2013, went along with the expiry date of the European budget cycle.
- The EU also obtained from other developed countries that they set up a system similar to its “All but Arms” initiative for the least advanced countries.

- The fact that the WTO multilateral system did not crumble in the face of a further potential failure in Hong Kong is a success for Europe, who sees “controlled globalisation” as one of her core international policies.

\*The “All but Arms” programme : Adopted by the EU in 2001, this programme does away with quotas and import duties for all products bar arms, when imported in the 48 poorest countries in the world.

## Proposals

### Lessons to be learnt from Hong Kong

1. **Get out of the agriculture rut:** there is nothing to be gained from being fingered: agriculture must not be at the hub of the negotiations. In Hong Kong, agriculture took centre stage, setting up the EU as the villain of the negotiations and forcing her on the back foot. The EU could use the backing, for instance, of some NGOs for which the protection of social and environmental standards matters at least as much as agricultural trade, and who could support the EU by, if nothing else, bringing other subjects under the glare of the media – whilst those are not at the moment formally included in trade negotiations, Europe needs the support and the sounding boards which will pave the way for their future inclusion.

2. **Steer clear of isolation:** in order not to be singled out again, the Commission's current strategy is to split Southern countries seeking a distinction between the poorest countries and emergent economies, on the basis that big agricultural ex-

porters like Brazil will be the chief beneficiaries of the agricultural concessions set forth by the EU at the expenses of the poorest countries. More importantly, Europe must endeavour to get India, whose interests could converge with hers on both agriculture and services, on her side.

3. **Negotiate from a position of strength:** the EU's institutional set up is an asset since it enables other countries clearly to see what the European fall back position is. In most cases, it boils down to the lowest common denominator as a result of the ever possible exercise of their veto by one or other Member State. Thus, all Hong Kong participants finally accepted 2013 as the date when agricultural export subsidies would end, as the European budget agreement reached a few hours earlier had made it inescapable. In this respect, it is worth noting the ironically positive role played by France in support of the European position (see our analysis in *Trading voices*).

4. **Clarify national and supranational interests, secure commercial ambitions:** this in turn calls for a redefinition of some EU economic and political objectives. This politically risky exercise could make or break the Union; common interest has indeed been in short supply to steer the European Union through the current negotiations:

- We must not be side-tracked: one immediate and essential economic objective is to obtain as many market shares as possible for European businesses by means of a new multilateral agreement. To this end the Member States need to undertake an in-depth internal review in order to prevent the European position to be beholden to a small cluster of agricultural interests. It is hard to understand why companies which stand greatly to benefit from the liberalisation of services do not fight their corner.
- There remain a number of political objectives. One, utterly legitimate,

Its Hong Kong failures and successes should teach Europe several lessons applicable to later stages of the round.

is the desire to preserve a European agriculture for reasons linked to agricultural "multifunctionality". However, this supposes that the costs of European agricultural protection be openly acknowledged, and the anticipated outcomes of this protection (on the environment, the countryside, human health, developing countries etc...) subjected to collective scrutiny with a view to determine whether they could be obtained by means other than production subsidies which essentially benefit the big producers.

- Another major political objective for the EU is to show that Europe is a good multilateralist player. After all, the WTO has become an important instrument of European power and the EU is the main user of the Disputes Settlement Understanding. Indeed, this complies

with a true European ambition – as framed in speeches at any rate: a vision for a regulated globalisation, concerned with, among other things, the environment and social standards, and which will not be achieved outside a multilateral framework. In the long run, the defence of such a system meets European (not least French) interests more effectively than haggling over tariffs cuts for farm goods.

- Finally, Europe must show more consistency between its praxis and its principles, its internal and external policies. The tensions between the EU's stated policies and its external procedures are particularly conspicuous with regards to development issues. Europe has championed them, whilst its subsidised agricultural goods exports is often accused of asphyxiating agriculture in

Southern countries. Europe's defence is that it imports more agricultural goods from these countries than the United States, Canada, Australia and Japan put together. This is not enough to dispel the received image. If Europe started a genuine debate on the role she has to play in economic development, she should seek to work alongside NGOs instead of making enemies of them. ■



« Trading Voices »

## Trading Voices: The European Union in International Commercial Negotiations

« *How does the trade-off between multiple voices and one single voice impact on international negotiations?* » asks Sophie Meunier in the book published by Princeton University Press in September 2005? She observes the Union negotiators on the offensive (seeking to obtain further commercial advan-

tages) and on the defensive (when pressed to accept concessions). Her analysis shows how, the decision making rules (unanimity or majority) and the nature of the negotiating mandate enjoyed by the Commission (Restricted versus Extensive delegation) can prove a major asset or a downright handicap. Overall,

« Trading Voices » proposes new approaches to the way the Union could, according to its interest and its commercial objectives, make the best of its organisational and internal rules. ■