

Trade Politics Ain't What It Used to Be: The Challenges for EU Policy and Analysis

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Paper prepared for the EUSA Tenth Biennial International Conference
17-19 May 2007
Montreal

Draft. Please don't cite without permission. Comments encouraged.

The European Union is the world's largest exporter of goods and services and the world's largest market. It is also a key player in multilateral trade negotiations. It is, however, an unusual 'trade power' in that it is an international organisation, as well as an international actor. This means that its negotiating positions reflect the aggregation of the preferences of the governments of its member states. In the EU trade policy literature this situation is usually captured by the metaphor of the 'three level game:' domestic, European and international.

In practice, however, the tendency has been to treat the member states' positions as given, effectively collapsing the three-level game into a two-level game with the European level as the 'domestic' level. Moreover, the member states' preferences regarding liberalisation or protectionism are taken to be fairly stable. This paper argues that while there is some merit in such assumptions they are becoming increasingly unsustainable.

This paper argues that the member states' trade policy preferences are shifting and becoming more complex for four reasons, most of which are common to all developed states. First, particularly since the mid-1990s the benefits of free trade have come to be widely accepted within the EU for reasons both of interests and ideas. Second, trade policy is no longer just about tariffs and quotas. The increasing attention to the trade effects of regulatory

measures both engages many more actors in trade policy and alters the cost-benefit assessment of liberalisation. Third, , in part in response to the changing nature of trade, a 'deep trade agenda' – focusing on developing common rules, rather than just disciplining national ones – has emerged. Fourth, trade policy is no longer about just trade. Particularly since the failed World Trade Organisation (WTO) Ministerial in Seattle in December 1999, trade policy has become framed as an instrument to foster development. Given these changes more attention needs to be paid to the trade politics within the member states, implying a more thorough application of the three-level game, if we are to understand the EU's trade policy preferences.

The paper begins by drawing a distinction between positions and preferences and states and governments, before examining the analysis of trade policy making and the assumptions about member state positions. It then explores a number of factors contributing to the member governments' preferences with regard to traditional, at-the-border trade policy, before describing the changes to trade policy and politics and exploring their implications for the trade policy preferences of the governments of the member states. It illustrates these changes with examples from the formation and development of the EU's negotiating position in the Doha Round of multilateral trade talks. It concludes by drawing out the implications for EU trade policy and its analysis and for international political economy more generally.

Of positions and preferences and states and governments

As the subsequent discussion of the analysis of EU trade policy making will make clear, it is usual for analysts to focus on the positions taken by states in EU, rather than their preferences. The trade policy literature, however, notes an important distinction between positions and preferences, with preferences referring to objectives, while positions reflect strategic assessments about how best to realise those objectives (see Milner 1997; Moravcsik 1997).

This distinction poses two analytical problems that will be exposed during the course of this paper. First, states with the same preferences may adopt different positions because they make different assessments about how best to realise them. Further, positions may change as assessments of how best to realise preferences change in the light of changed circumstances. Second, negotiating positions – whether member state or EU -- reflect the aggregation of actors' preferences. Because of the aggregation process it is possible for positions to stay the same even if the underlying preferences change, at least up until some 'tipping point.' This is arguably particularly the case in the EU, where the trade policy making institutions favour those most content with the status quo (see below).

The distinction between states and governments is somewhat more semantic, as they are often used interchangeably in the study of EU trade policy. The distinction is, however, important as referencing to states implies an objective, enduring national interest, while a focus on governments highlights political competition over objectives. Thus by explicitly focusing on governments rather than states, this paper stresses the importance of domestic politics in shaping trade policy preferences.

EU trade policy making

Because the EU is an international organisation, it must reconcile differences among its members in order to be able to negotiate with others. The 1957 Treaty of Rome established the common commercial policy (CCP), under which the member states delegate trade policy to the EU and give the lead in negotiations to the European Commission. The Council of Ministers authorises the Commission to negotiate and ratifies the resulting agreements by a qualified majority vote – a super majority. Thus the EU's institutional framework represents a 'dual delegation' of authority: from the member states to the EU and, at the EU level, from the Council to the Commission (Meunier and Nicolaïdis 1999). Neither delegations is

complete, however; the member states retain authority for some important aspects of foreign economic policy and the Council exercises extensive oversight over the Commission.

These features of the EU's trade policy institutions have important implications for the substance of common positions. Because any agreement that includes policy areas subject to mixed competence or not included in the CCP has to be ratified by all member states in addition to the Council. This is significant even though the governments tend to work by consensus (Johnson 1998; Lamy 2004a; Woolcock 2005b), because an agreement where one government knows it can be out voted will be different from one where any government can block a decision. Any wide-ranging multilateral agreements, such as the Doha Round, that addresses issues of mixed competence must be approved by the governments of all of the EU member states. This implies that the government least enthusiastic about an agreement can effectively veto it. This conservative bias in the EU's trade policy institutions has to date muted the impact of changes in the preferences of the governments of the member states on the EU's negotiating position in the Doha Round.

Analysis of EU trade policy making

The most commonly applied analytical framework to the study of EU trade policy is Robert Putnam's (1988) two-level game metaphor, which captures the interaction between domestic interests, mediated through domestic institutions, and international negotiations. Given the delegation of trade policy authority from the member states to the EU, many analysts depict the EU's participation in trade negotiations as a three-level game (see, for example, Ahnlid 2005; Collinson, 1999; Elsig, 2002; Meunier, 2000, 2005; Odell, 1993; Young, 2002).

In practice, however, most accounts take the member states' positions as given and consider how they are aggregated into a common negotiating position, effectively treating the EU as the domestic level (Woolcock 2005a, Falke 2005b). This has the virtue of simplifying

the analysis, even if some more fine grain detail is lost. Moreover, this analytical short-cut has been justified on the grounds that the member states' trade policy positions have been fairly stable, justifying a focus on 'states' rather than 'governments' (Woolcock 2005a).

Consequently, it is common, even among EU trade policy practitioners, to divide the EU's member states into the 'liberal North' and the protectionist south or 'Club Med' countries (Ahnliid, 2005: 134; Johnson 1998). The British, Danish, Dutch, Finnish, and Swedish governments have tended to adopt fairly liberal positions. The French, Italian, Spanish and Portuguese governments have tended to be protectionist. Given the perceived stability of the member states' trade positions, changes to the thrust of EU trade policy have been attributed primarily to the impact of new member states joining the EU (Baldwin 2006; Johnson 1998). As the focus in this paper is on how the trade policy preferences of the member states, or more accurately their governments are changing, the following discussion focuses only on the EU15.¹

It is worth noting, however, that while member states' trade policy preferences may be stable for long periods of time, they are not cast in stone. For example, in the early 1980s the British government became significantly more pro-free trade (Hayes 1993; Hanson 1999). This change affected the balance of power between protectionists and liberals within the EU, contributing to a more liberal EU trade policy. More recently, Germany, Finland and Spain have emerged as 'swing' member states, with the German government's position perceived as particularly crucial (Baldwin 2006). Moreover, some observers note that governments' positions can change with the electoral and business cycles and often vary across issues (Woolcock 2005b). Consequently, the characterisations 'northern Liberal' or 'Club Med' are rarely a good guide to predicting how the Council will react on a given issue on a given day' (Baldwin 2006: 931). Thus member state positions on trade – even on the liberalism-

¹ The 2004 enlargement does not seem to have altered the balance of trade policy preferences within the EU (Baldwin 2006; Woolcock 2005b).

protectionism dimension – cannot be assumed to be immutable. It is therefore necessary to take a closer look at the factors influencing the trade policy preferences of the EU's member states

Government traditional trade policy preferences

Although most commentators provide only fleeting reference to the sources of member states' trade policy positions, two influences are seen as most critical in the international political economy (IPE) literature on trade: interest groups and ideas. The most common focus in EU trade policy analysis and in IPE in general on the impact of state-market relations. In the IPE literature more generally, which is primarily focused on the US, the emphasis is on lobbying by firms (Frieden and Martin 2002; Milner 2002; Rodrik 1995). Here the literature is much stronger on firm demands for trade policy than how that is aggregated into policy (Milner 2002). In the EU there are frequent references to the particularly close relationship between firms and governments, although there less attention to the demands of firms (Faber and van Rietbergen 1996; Hayes 1993; Johnson 1998, exceptions are Keeler 1996 and, with respect to the EU-level, Dür 2006).

A strand of the IPE literature also stresses the importance of acceptance of the idea that trade liberalisation spurs competition, which encourages adjustment and increased productivity, which fosters long-term growth (e.g.. Goldstein 1993). Although there is wide spread recognition of the impact of neo-liberal economic ideas, including trade liberalisation, on the EU's single market programme (for a review see Young 2007: 375-6), relatively little attention has been paid to the impact on the EU's external trade policy (an exception is Hanson 1999). The rest of this section takes a closer look at these different sources of preferences within the EU.

State-market relations

Although it is widely accepted that there are close state-market relations within the EU's member states, little attention has been paid to what the preferences of the firms are. The common assumption in the trade policy literature is that internationally-oriented firms – that is those that are export oriented and/or have transnational operation -- tend to favour liberalisation, while import-competing, firms tend to favour protectionism (Milner 2002; Rodrick 1995).

There are indications that, with the notable exception of agriculture, the EU's firms have become more internationally oriented and more supportive of liberalisation (Dür 2006; Falke 2005c; Meunier 2004a; Van den Hoven 2002, 2006; Woolcock 2005b).² EU manufacturing and agricultural firms are considered to be well placed to compete in 'quality' products, even if there are other competitive challenges (Gaulier et al 2006). During 1995-2003 firms from the EU25 – including those from Germany, Italy, Spain and the UK – increased their overall shares of global markets, with growth in medium- and high-quality products more than compensating for losses in low-quality products. If anything, the EU's competitive position is even stronger in services. It is the world's leading exporter and importer of services (WTO 2007). Although there are still significant barriers to entry in the EU's services markets, they are relatively open by world standards (WTO 2007). Moreover, nine of the world's 15 leading exporters of 'other commercial' services – that is excluding transport and travel – in 2005 were EU member states (WTO 2006: Table IV.93). Of these the UK, Belgium, the Netherlands and France were net exporters, while Germany, Ireland, Italy, the Netherlands and Spain have had their exports grow faster than imports during 2000-05. Consequently, greater competition holds little to fear for EU manufacturers and service

² Interviews with a former senior Commission trade official, London, 10 March 2005; a representative of a European peak association, Brussels, 26 March 2004.

providers – with the significant exception of those providing functions associated with the welfare state, while greater market access promises benefits.

Moreover, the EU is also the world's leading home to and host of foreign direct investment (FDI). In 2005 it accounted for 44 percent of the inward stock of global FDI and 51 percent of the outward stock (UNCTAD 2006). Given the growth in intra-firm trade Thus there are a significant number of influential firms – both EU headquartered and EU based – that have a strong interest in ready access to the EU market for their goods produced outside, including intra-firm trade. This greater internationalisation of EU firms helps to explain the EU's aggressively market-access-oriented positions on non-agricultural market access (NAMA) and (most) services (GATS) in the Doha Round.

These changes are evident even in one of the EU's traditionally most protectionist and protected sectors: textiles (Heron 2007; Johnson 1998; Messerlin 2001; Winters 2001). Growth in 'outward processing trade' since the mid-1980s has meant that EU textiles firms have outsourced the most labour intensive aspects of production while retaining the higher-value activities in the home market. This has both made European firms more competitive and meant that trade protection is an obstacle rather than a boon (Heron 2007). Moreover, the sector has been shrinking rapidly, with production in the EU25 falling almost 20 percent in textiles and more than 30 percent in clothing between 2000 and 2005 (EURATEX 2006), even before the end of the Agreement on Textiles and Clothing at the end of 2005. Although the industry has not entirely abandoned protectionism or completely lost its political clout – as the 2005 trade dispute over Chinese textile imports illustrates – it does seem to be shifting position, emphasising market access and bemoaning the stalling of the Doha Round, albeit while cautioning against being 'overgenerous' in seeking an agreement (Lakin 2006: 4; High-Level Group on Textiles and Clothing 2006). Thus the textile industry seems to be becoming

less inclined to demand and less able to secure protectionism, at least beyond trade defence instruments.

Agriculture, by contrast, is the exception that demonstrates that wider point. Although there are no clear indications that the agricultural lobby is becoming less protectionist, there have been significant reforms of the common agricultural policy (CAP) in 1992 and 2003 that have permitted trade liberalisation. There are three crucial connects between the CAP and EU trade policy. First, the CAP is first and foremost a policy aimed at domestic policy objectives ranging from ensuring food security to providing a social welfare system for farmers (Rieger 2005). The trade effects of the CAP are a side-effect of those policy objectives. This means that CAP reform is more similar to domestic politics than to trade politics; that external protectionism cannot simply be lowered without jeopardising those other objectives; and that the CAP is subject to powerful path dependence. Second, despite these constraints, trade policy pressures appear to have played an important role in fostering reform (Coleman and Tangermann 1999; Dinan and Camhis 2004; Keeler 1996; Rieger 2005; Swinbank and Daugbjerg 2006; Woolcock 2005b). External pressures have an impact only because other EU actors care about realising the gains from the multilateral trade rounds. Third, the CAP is the tail that wags EU trade policy. The EU's push for a broad negotiating agenda in the Doha Round was in order to secure benefits in other areas to offset the anticipated political costs associated with concessions on agriculture (Ahnlid 2005; Kerremans 2006; Young forthcoming). Moreover, throughout the Doha Round, the consistent line from the member states' governments and the Commission has been that the existing CAP determines what it will accept externally – that is that there will be no concessions that are not compatible with the CAP (Council 2005, Young forthcoming). Significantly, however, the 2003 reform made further, non-trivial external liberalisation compatible with the new existing CAP.

The preceding discussion suggests that the balance of the economic interests in the EU value greater market access abroad and are willing to support further liberalisation at home in order to secure it. They have not, however, been terribly vocal during the Doha Round (Van den Hoven 2006). Economic interests, however, have not been the only impetus to the EU pursuing a more liberal trade policy.

Ideas

The greater export-orientation of EU firms may create a more permissive environment in which the growing acceptance of neo-liberal economic ideas can have a more telling impact on the character of EU trade policy (Hanson 1999; Van den Hoven 2006). Economic ideas have been seen as important in explaining the German government's pro-free-trade and French government's anti-free-trade stances during the 1980s (Hayes 1993) and the British government's swing towards free trade in the early 1980s (Hanson 1999). According to a former British trade official, by the end of the 1990s the EU's governments had 'mostly accept the economic case for open markets as the most efficient means of generating wealth, efficiency and consumer satisfaction' (Johnson 1998).

The translation of economic ideas into trade policy seems to have much to do with political parties, which have been largely ignored in the EU context. There is an extensive IPE literature that stresses that governments have trade policy preferences that are independent of the lobbying of firms (Bailey, Goldstein and Weingast, 1997; Dutt and Mitra, 2002; Mansfield and Busch, 1995; O'Halloran, 1994; Sherman, 2002). Although a government's preferences are occasional seen as influenced by the state's position in the international economy (Mansfield and Busch, 1995), most see them reflecting the preferences of the preferences of the party in power, with leftwing parties tending to favour protectionism

more than rightwing parties (Dutt and Mitra, 2002; Milner and Judkins, 2004). The literature has not untangled whether these preferences reflect ideology or constituency interests.

It appears that political party competition over liberalisation / protectionism is relatively muted within the EU compared to other advanced democracies (Milner and Judkins 2004). This may reflect a relatively high degree of consensus within member states, particularly in the larger states, over protectionism or liberalisation (Evans 2003). Although the UK has long been a consistent, if imperfect, advocate of free trade, its advocacy of liberalisation became more principled and vigorous under the (centre-left) New Labour government from 1997 (Holmes 2005). Although, there is cross-party support for protectionism in France (Lehmann 2005), the political mainstream has accepted economic liberalisation, albeit tepidly and largely as response to external pressures (Meunier 2004b). Moreover, as will be developed below, trade politics is changing in ways that introduce new concerns for which political parties are an important transmission belt.

Although the focus thus far has been on the member states, or more particularly their governments, the preferences of the Commission, as the EU's negotiator in multilateral trade rounds, are also crucial. Although it is commonly assumed that the Commission is more liberal than the median member state (Meunier 2000: 112, 2005), this has rarely received much attention, although the implications of its substantive preferences for the conduct of the EU's trade negotiations are significant. The Commission is generally regarded as being relatively insulated from societal pressures (Woolcock 2005a, 2005b). Whether isolation from societal pressures translates into support for liberalisation (as is commonly assumed), however, depends on the preferences of the policy maker (Milner 2002). Thus the beliefs that inform the Commission are important.

Guy de Jonquieres (1996: 5) noted a 'shift' in the Commission towards a greater commitment to trade liberalisation in the mid-1990s, which it has fairly consistently pursued

since (Ahnliid 2005; Johnson 1998). The annex to the Commission's (2006) communication 'Global Europe Competing in the World,' for example, states 'Openness to trade is essential for growth and jobs.' (p. 6) and 'We need to promote our economic interests by activism abroad not protectionism at home.' (p. 7). Throughout the Doha Round, the Commission's Directorate General for Trade has consistently and vocally articulated such a 'Ricardian' understanding of competitiveness (see Hay, forthcoming). The Commission, however, must practice the 'art of the possible,' and not push the member governments too far (Baldwin 2006: 927; Kerremans 2006).

This discussion illuminates one of the persistent features of the EU's engagement in the Doha Round since the Cancun Ministerial in 2003. The Commission made successive concession, particularly on agriculture – such as accepting the G20's formula for addressing agricultural tariffs and the elimination of export subsidies – despite public objections from numerous member state governments, notably that of France (see Young forthcoming). This dynamic is well captured by the two-level game with the more 'dovish' negotiator taking negotiations to the very edge of what is acceptable domestically.

The Commission was pushing at the edges of the envelope, however. At a special meeting of the EU's foreign ministers on 18 October 2005 the French government, supported by the Greek, Irish, Portuguese, Polish and Spanish governments, sought to force the Commission to withdraw its negotiating proposal and to limit its mandate for the Ministerial in Hong Kong (EurActiv.com, 19 October 2005). The British government, holding the EU's rotating presidency, and the Danish, Dutch, Finnish, German and Swedish governments, however, opposed constraining the Commission and were able to block the initiative (EurActiv.com, 19 October 2005; *Financial Times*, 18 October 2005). The principal-agent literature, particularly that dealing with the problems of control posed by there being multiple principals (Pollack 2003) captures this outcome well. Because some of the principals

favoured what the agent was doing, other principals were not able, at least formally, to exercise effective control.

As a consequence of changing firm interests and the increasing acceptance of neo-liberal economic ideas among the governments of the member states and particularly within the Commission, the preferences underlying the EU's trade policy have been shifting during the past decade in a more liberal direction, although there are still some strong protectionist elements. As a consequence the questionable, crude characterisations of 'liberal North' and 'Club Med,' have begun to blur (Ahnliid 2005). Moreover, the shift along the liberalisation-protectionism dimension of trade policy has coincided with the extensive broadening of the trade policy agenda, which has added numerous, sometimes cross-cutting dimensions to trade politics.

Trade policy about much more than tariffs

Since the mid-1980s there have been a number of changes in trade policy that have impacted upon the preferences of the member states' governments. Principal among them have been the increasing importance of regulatory barriers to trade; the development of a 'deep trade agenda' aimed at developing common rules not just lowering national barriers; and the emergence of development as a central focus of the multilateral trade round. These changes have cross-cutting impacts and profoundly affect the trade policy preferences of the governments of the member states and shift EU trade policy off the familiar liberalisation-protectionism dimension.

Regulatory barriers to trade and the new trade politics

As Helen Milner (2002: 449) observed, the IPE literature on trade policy is preoccupied with protectionism and free trade, particularly tariffs (Sherman 2002). In part as a result of the

success of previous rounds of multilateral trade negotiations in reducing tariffs and quotas, however, national rules – ‘behind-the-border’ measures -- have emerged (at least for the advanced developed countries) as the most significant barriers to trade in goods as well as services (OECD 2000; USTR 2001; World Bank 2000). These policies, although they may impede trade are usually adopted for other public policy reasons, thus they are domestic policies for which the trade effects are usually unintended, if not unanticipated (Young 2004).

Crucially, addressing ‘behind-the-border’ provokes a different kind of politics than ‘at-the-border’ measures, because there is a different distribution of costs and benefits from trade liberalisation (Dymond and Hart 2000; Evans 2003). When the focus was on at-the-border measures, trade liberalisation hurt the few (the protected producers and their workers) and benefited the many (consumers and user industries). When national rules are the focus of liberalisation, however, the distribution of costs is quite different, with the benefits of cheaper goods and services competing with benefits from measures adopted to achieve desired public policy objectives, such as reducing consumer risk or containing environmental damage.

These implications for cherished domestic policies have spurred the engagement of legislators, non-trade ministries and non-governmental organisations (NGOs) in EU trade politics (Cunningham et al 2000; Williams 2005; Young and Peterson 2007). The European Parliament’s new Committee on International Trade, for example, ‘emphasises the importance of taking into account non-trade concerns such as social, environmental and cultural issues in the Doha Round’ (European Parliament 2006: 11). Even the liberal British government under Tony Blair noted the need to balance the objectives of ‘maintain[ing] the momentum for an open and rules-based trading system while achieving improvements in social, health, environmental and animal welfare (SHE) standards’ (Tony Blair’s forward to PIU, 2000: 3). Such concerns are also evident in the populations of the EU’s member states, with large pluralities, if not majorities, in each of the EU15 concerned about the implications of

globalisation (admittedly a much broader issue than just trade liberalisation) on the environment (Eurostat 2003).³ Such concerns are arguably more politically salient as class cleavages have been eroded in the EU15 and as post-material concerns – such as the environment -- have come to increasingly influence party competition (Inglehart 1988; Meunier 2004b). As a consequence of these concerns, which are channelled through both NGOs and political parties, the support for liberalisation with respect to at-the-border measures does not necessarily translate into support for tackling behind-the-border measures. This was reflected in EU Trade Commissioner Pascal Lamy's (2004b) unsuccessful attempt in the autumn of 2004 to secure recognition of 'collective preferences' – social choices over a wide range of issues including food safety, cultural diversity, public provision of services and environmental protection – as legitimate reasons for restricting imports, even if compensation would have to be paid. Trade issues are thus becoming 'more ... complex and political' (Baldwin 2006: 930). Such concerns contributed to the 'deep trade agenda' that the EU pursued for much of the Doha Round.

The 'deep trade agenda'

Domestic rules usually affect trade only as a side-effect of realising some other public policy objective. As such, they cannot simply be eased or removed as part of the process of trade negotiations, as tariffs and quotas can. The response at the multilateral level has been to agree disciplines, usually procedural, on domestic rules -- the 'deep trade agenda' (Young and Peterson 2007: 798). This new agenda emerged during the Uruguay Round (1985-93), with disciplines on Sanitary and Phytosanitary rules, trade-related intellectual property rights and trade-related investment measures (Dymond and Hart 2000; Hocking 2004), but has subsequently expanded.

³ All of the major political parties in the 2007 Scottish Parliament had protecting the environment as a campaign pledge.

The development of the deep trade agenda was spurred during the latter half of the 1990s in response to two distinct but related politically salient concerns prompted by the changing nature of international economic exchange, especially the sharp increase in FDI. The first is that if firms can relocate freely anywhere in the world it is easy for them to evade the rules (and taxes) of any one state. The second is that in their efforts to attract 'foot-loose' FDI governments might compete with each other by offering lower taxes or easing environmental or labour regulations. There was thus concern that in the absence of common rules, or at least constraints on competition, governments would engage in a 'race to the bottom.' In addition, once engaged in trade policy, the new trade actors became proactive, seeing trade rules not only as a threat to their policy objectives, but also a possible tool for realising them – such as improving environmental and labour standards (Cable 1996). These various concerns create incentives to agree common disciplines on a wide range of issues from investment incentives and investor responsibilities to competition policy to environmental protection.

Since the end of the end of the Uruguay Round, the EU has been the most vigorous advocate of the deep trade agenda (Ahnliid 2005; Young and Peterson 2006). This advocacy in the run-up to and during the Doha Round, however, was controversial within the EU, with some of the issues dividing the 'northern Liberals.' The differences between the governments of the member states were particularly sharp over the relationship between trade and the environment and core labour standards. Some of the more liberal governments – such as the British and Dutch – opposed including the issues on the EU's agenda, not necessarily because they opposed the aims, but because they were concerned the developing country opposition would jeopardise progress on the round (Ahnliid 2005). While differences over the inclusion of the environment were largely tactical, those over core labour standards were more substantive, with the EU's member governments falling into one of three camps: 1) those that

consider such rules intrusive and an impediment to development (e.g., the UK); 2) those with strong social democratic traditions that see the WTO as a way to promote human rights (e.g., Denmark, Germany and Sweden); and those for whom linking core labour rights to trade provides a means to provide protection (e.g., France) (Ahnliid 2005; Young et al 2000). The EU was essentially unable to reconcile these different preferences, so its position on trade and core labour rights did not represent much of an advance on the status quo. Although it expressed its strong support for the protection of core labour rights, it ruled out the use of trade sanctions to promote them and proposed only enhancing cooperation between the WTO and the International Labour Organisation (ILO) (Council, 1999).

Political parties seem to have played an important role in translating popular concerns into trade policy positions. Falk (2005b) argues that the election of the Red/Green coalition government in Germany in 1998 led to a less liberal trade policy and support for the deep trade agenda. Social democratic values also seem to have been important to the advocacy of core labour standards by the governments of the Scandinavian member states (Ahnliid 2005; Young et al 2000). In the face of strong opposition from developing countries, and only tepid support from the US, the EU gradually had to abandon its deep trade agenda (Young forthcoming). Core labour standards and the most ambitious aspects of its environmental agenda were abandoned at Doha, while most other aspects of the deep trade agenda were abandoned in the wake of the 2003 Cancun Ministerial.

Here the distinction between preferences and positions is important. The EU changed its position in response to opposition from its negotiating partners, but its preferences did not change. Lamy's promotion of 'collective preferences' in the autumn of 2004 is one indication of this (Falk 2005c). More over, the EU continues to promote its deep trade agenda through preferential trade agreements and unilateral policies, such as GSP+, which grants developing

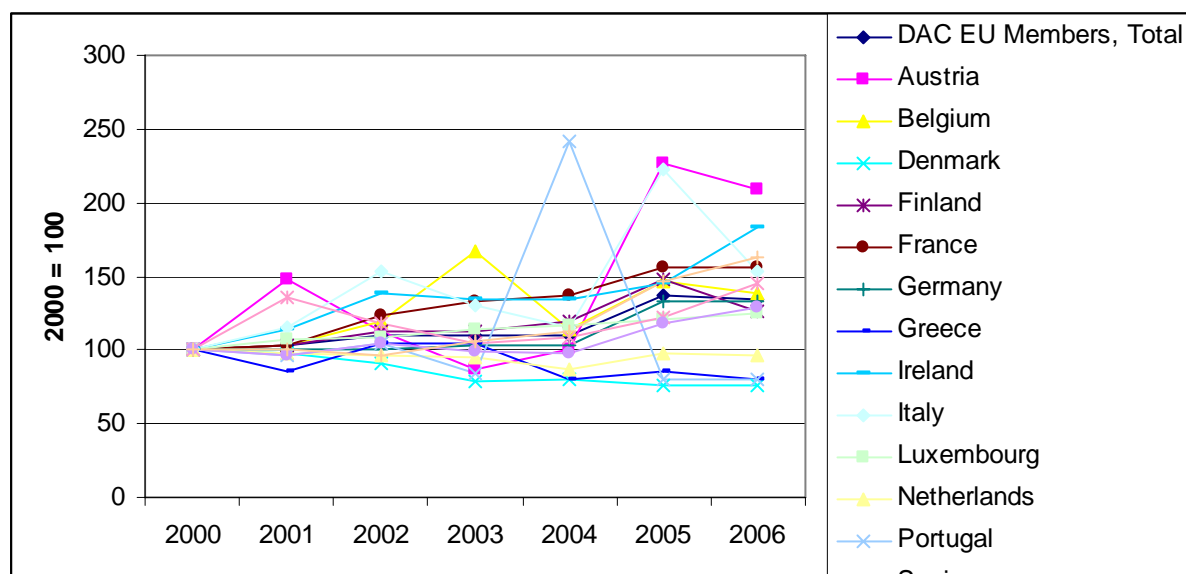
countries that have signed up to ILO standards and multilateral environmental agreement even more preferential access to the EU's market (Meunier and Nicolaidis 2006).

Development as a trade issue

Another significant change in the EU's trade politics is the heightened emphasis on the development dimension of trade. The key moment was the 1999 Seattle WTO Ministerial at which, for the first time, developing country dissatisfaction with the multilateral trading system became apparent (Baldwin 2006). This had a 'major impact' on EU trade politics, and development concerns are 'coming to dominate trade politics globally' (Baldwin 2006: 939).

This concern with the trade implications of development coincided with a more general heightening of concern in the EU about development and global poverty in particular. The UN General Assembly adopted the Millennium Development Goals in 2000 and at the 2002 Monterrey Conference the EU pursued a collective approach to development for the first time (Carbone forthcoming). This greater concern about development is evident in rising, if still relatively low, levels of overseas development assistance as a share of gross national income. Overall EU development assistance increased by a third between 2000 and 2006, with Austria, Ireland, the UK, France and Italy increasing aid by more than 50 percent (see Figure 1). Only four countries had lower aid levels as a share of GNI in 2006 than 2000, and two of those – Denmark and the Netherlands – are among the handful of countries that have consistently met or exceeded the UN's target of 0.7 percent of GNI. Thus there was a general increase in concern with global poverty within the EU against which the specific concerns of developing countries about the multilateral trading system were situated.

Figure 1 EU official development assistance as a share of GNI (change relative to 2000)



Source: own calculations based on data extracted on 2007/04/30 12:06 from OECD.Stat

NGOs and social movements, such as Make Poverty History, were crucial in raising the profile of development as an issue (Baldwin 2006; Van den Hoven 2006), but political parties also played an important role. Pro-development policies may chime with the ideologies (values) of social democratic parties or may be a rational response by politicians to the preferences of constituents, who are swayed by post-material values and galvanised by NGOs and social movements.⁴ The Red/Green coalition government in Germany, for example, championed development (Falke 2005a). In the UK harnessing free trade and development has a powerful resonance in the British public and the New Labour government mobilised the latent power of active pro-development and consumer groups in support of trade liberalisation (Holmes 2005). It even gave the Department for International Development the lead on trade policy to for its first five years in office. The rise of

⁴ In the 2005 British general election, helping developing countries was the most prominent pledge on the flyer for the (winning) Labour candidate in my constituency.

development as an issue thus affected the trade politics of at least some of the member states, tending to reinforce the pro-liberalisation tendencies of some governments.

Not surprisingly, therefore, the heightened significance of development dimension of trade has had a visible impact on EU trade policy. Member government and Commission trade officials contend that EU governments find it much harder to resist liberalisation if it is presented as fostering development (Ahnliid 2005; Baldwin 2006). The EU's unilateral removal of all trade restrictions on all products but arms and munitions from the world's poorest 49 countries -- its 2001 'Everything But Arms' initiative⁵ -- is one example (Baldwin 2006). Moreover, the EU went against the interests of EU pharmaceuticals manufacturers at the 2001 Doha Ministerial, and subsequently, in pushing hard for an agreement that the TRIPs Agreement should be interpreted and implemented in such a way as to permit WTO members to manufacture or import drugs necessary for dealing with public health crises, such as the HIV/AIDS pandemic in southern Africa (Falke 2005a; Panagariya, 2002; Thompson, 2001; Van den Hoven 2006). At Doha the EU also went against the interests of the textile industry by agreeing to accelerate (unilaterally) the phase out of textile quotas (Van den Hoven 2006). Thus increased concern about development has tended to push the EU in a more liberal direction.

There are, however, limits to this impact. While the governments of some member states, such as those of Germany, Sweden and the UK, emphasise that liberalising the EU's market is good for developing countries, others, such as that of France,⁶ stress the differential impact of EU liberalisation on developing countries. This differential effect arises because general liberalisation erodes the benefit of preferential access granted to some developing

⁵ The full liberalisation of certain sensitive products was delayed -- bananas (January 2006), sugar (July 2009) and rice (September 2009) -- and the measure was to be reviewed in 2005 to ensure that there has not been excessive disruption to the EU market.

⁶ The French Minister for Trade Christine Lagarde made this case in defence of the CAP (*Financial Times*, 12 November 2005, p. 17).

countries, particularly the former colonies of its member states (Heron 2006; Van den Hoven 2006). Thus, framing trade policy in development terms is accepted, but the implication of that framing is contested, even if the liberalisation understanding is stronger (Dickson 2004).

Conclusions

This paper has argued that the analytical shortcut of taking the EU member states' trade policy positions as effectively given is no longer empirically sustainable. Not only have the member states' governments' preferences with regard to traditional, at-the-border trade policy become more liberal, but trade policy and politics have become more complicated. As trade policy has increasingly touched on behind-the-border policies, concerns about the implications of liberalisation have grown even in states that have traditionally supported liberalisation. At the same time, development has emerged as a major concern shaping trade policy, tending to push in favour of liberalisation. Because of these cross-cutting cleavages it has become less secure to assume the trade preferences of the governments of the EU's member states.

The impact of these changes has been evident in the EU's participation in the Doha Round. Concerns about the effects of trade policy on behind-the-border issues help to explain the EU's promotion of the deep trade agenda and of special treatment for 'collective preferences.' Different priorities about promoting the deep trade agenda help to explain the split among the supposed members of the 'liberal North' about how aggressively to promote environmental protection and core labour standards in the multilateral system. The desire to address (some of) the concerns of developing countries helps to explain the EU's unilateral liberalisation under its Everything But Arms initiative, promotion of the TRIPS waiver and accelerated abolition of textile quotas. On these policy issues the 'liberal North' and 'Club Med' groupings did not capture the key cleavages. Only (and a big only) on agriculture do the caricatures seem to hold. Even here EU trade policy is largely about managing the

external effects of a domestic policy agreed for reasons other than trade. Consequently, trade policy cannot be separated from the domestic politics of reform and the path-dependence of the existing policy.

This paper does not claim to have answered how EU trade policy preferences are formed, but it has sought to make the case that we need to look more seriously at the preferences, not just the positions, of the EU's key trade policy actors. This requires paying much more attention to the politics of trade policy within the member states and the Commission. This poses a significant challenge because the existing IPE literature on international trade is overwhelmingly preoccupied with at-the-border measures. As trade policy and politics become more complex, so too must our analytical tools.

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