

German Foreign Policy in Dialogue

A Quarterly E-Newsletter on German Foreign Policy

*Edited by Marco Overhaus, Hanns W. Maull and Sebastian
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Volume 6, Number 15
Trier, Germany
February 10, 2005

Deutsche-Aussenpolitik.De

This internet project on German foreign policy was established in 1998 at the [Chair of International Relations at Trier University](#) and is funded by the [ASKO EUROPA-FOUNDATION](#). Its mission is to respond to the increasing interest in Germany's foreign policy by improving research, analysis and teaching in this field through the use of the internet. The project also aims at strengthening the democratic discourse on German foreign policy among researchers and analysts, decision-makers and the wider public. Our information services integrate media perspectives, official documents and sound secondary analysis.

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I. European Trade Policy and the Doha Development Agenda

Editorial

By Marco Overhaus

“Let us open up the market, but let us make sure that the developing countries benefit most and that it is governed by rules that assist society as a whole.”

These words of the former European Trade Commissioner Pascal Lamy summarize well the bold objectives of the European Union in the latest round of multilateral trade negotiations in the context of the World Trade Organization (WTO), initiated in Doha (Qatar) in November 2001. But have the Europeans lived up to their own demands so far? The “supranational” character of trade policy goes further than in many other policy fields within the EU context. The European Commission does not only have the monopoly to initiate legislation on trade and trade-related issues – e.g. customs, external trade and export policies and protective measures. In the WTO-context, it is also empowered to speak and negotiate on behalf of all 15 (and now 25) member states, albeit on the basis of a mandate defined by the Council of Ministers.

This issue of “Foreign Policy in Dialogue” seeks to assess the European Union’s role in the Doha trade negotiations and asks whether the relatively powerful position which the Commission enjoys *on paper* in the policy-making process has transformed the EU into an effective and coherent actor in this field.

Following the same logic as the previous two issues of this e-Journal on the European Security Strategy (published in June and October 2004 respectively), we adopted a “bottom-up” perspective and asked our authors to assess different national perspectives on an important aspect of common European policy. To put our contributions on German, British and French trade policies into a proper context, we complemented them with two essays focusing on specific themes of European trade policy: the internal policy-making process of the European Union, and on the stakes for developing countries and European development efforts in this WTO Round.

It is always difficult to balance our ideal of considering *all* national perspectives with our limited space and resources. Yet, with France and Great Britain we cover not only two major

European players but also two countries with distinctively different traditions on trade policy. On Great Britain, *Peter Holmes* underlines that the country's political tradition has always embraced a liberal free trade agenda for itself, an attitude which London has also tried to carry into the decision-making process in Brussels. While "liberalism" enjoys broad public support in the country of Adam Smith, Holmes stresses a second "self-image" which the Labour government of Tony Blair has cultivated. This claims to pursue a "foreign policy with an ethical dimension" or "globalization with a human face". As both images reinforce, rather than contradict, each other – especially when it comes to opening up agricultural markets – the British government has been able to mobilize pro-development NGOs and consumer groups in favor of official trade policy in the EU context.

Quite similar to Great Britain, *Jean-Pierre Lehmann* depicts the self-image of France as the "Third World's friend" and as the "global conscience". In contrast to Britain, however, the author sees France in a quandary because the Doha Development Agenda does not go well with the strong protectionist political culture in the country where "liberalism" is almost considered a "dirty word" and where the "disorganised pro-liberal trade majority is conspicuous by its absence". Yet, Lehmann does not see society as a whole or even the French farmers as the principal culprits. Instead, he targets the *fonctionnaires* in the French bureaucracy as the most activist group to prevent the further liberalization of world trade in general and trade in agriculture in particular. The French delegations to the multilateral trade talks are not only comparatively large, but are also dominated by the agricultural bureaucracy. In the author's view, this is the major obstacle to more far-reaching EU concessions in agricultural trade, a crucial topic in the Doha Round, as in many previous GATT negotiations.

While Germany does still have a reputation as a free trade advocate, it has most recently lost a good deal of its distinct trade policy profile as *Andreas Falke* argues. While traditionally committed to open markets, Germany's liberal leadership role began to erode due to several factors. In this respect, the author emphasizes the sub-ordination of German trade policy to the general objective of European integration (and to the "French connection"), the loss of sovereignty in monetary policy with the introduction of the Euro and a sense of complacency about the international trading order (related to the decline of the Economics Ministry in the bureaucratic power play). This has contributed to opening the policy process for Non-Governmental Organizations (NGOs), and has thus helped to shape what Falke calls a "post-modern trade agenda" for German policy. This agenda departs from the narrow set of open-

market aspects and tries to introduce into the world trading regime of the WTO many new aspects – from direct investments, through competition policy, public procurement and trade facilitation (the so-called “Singapore Issues”), anti-dumping and intellectual property rights to labor standards and the environment. As the other contributions demonstrate, the growing significance of NGOs in trade-related policy-making does not appear to be confined to the German context, however, although their impact differs in interesting ways between countries.

Endorsing a broad trade agenda, Germany parallels the position which the EU Commission initially adopted in the context of the Doha Round. But this official EU position was at least as much influenced by internal political considerations as it was shaped by the effort to successfully conclude the Doha Round and to bring forward trade liberalization. Unfortunately, both ends did not go well together. As *Bart Kerremans* points out, an important rationale behind the European Commission’s preference for a more inclusive agenda was to reduce opposition by the southern member states (especially France) by including issues which would be beneficial to most states as a compensation for concessions on agriculture. Moreover, it was also a tactic to mobilize business interests as a counterweight to powerful farm lobbies.

This European trade agenda, which was heavily influenced by internal considerations, proved to be inefficient as a negotiation line in the WTO context. Developing countries were unwilling to swallow more bitter pills before industrialized countries would finally follow up their commitments to deal with unfair practices in the trade with agricultural goods. It was only after the failure of the Cancun Summit in September 2003 that the EU finally slimed down its demands and dropped most of the Singapore Issues and in July 2004 agreed to phase out farm export subsidies in the future.

Regarding the *coherence* of the EU as an actor in trade policy, the first three years of the Doha negotiations have demonstrated how difficult it has been for the European Union to balance the conflicting imperatives of helping developing countries, liberalizing international trade and resisting the temptations of agricultural protectionism. Here, *Jürgen Wiemann* points to the double-standards of the EU resulting from these conflicting pressures. If it really wanted to make the “Doha Development Agenda” a success for developing countries, as it claims, the Union must reform its Common Agricultural Policy more swiftly and more

radically than in the past. Wiemann sees the Geneva compromise of July 2004 and the EU's pledge to completely phase out agricultural export subsidies as a promising first step.

The contributions assembled here show that even in the field of international trade policy, where national governments formally surrendered much of their powers to the European level, the EU's ability to act as an effective and coherent actor on the international stage is clearly circumscribed by national traditions, sensitivities and policy preferences. In this sense, trade policy probably differs less than one would expect from more "intergovernmentalist" policy fields, such as security and defense policy. Yet the European Union has been put on the spot, and needs to take into consideration broader international developments and interests, such as the linkages between development, political stability and international security, which the Bush Administration has recently been pushing in the aftermath of September 11, 2001 (e.g. through the Millennium Account challenge). Germany may well occupy a critical "swing" position in this context: while its emphasis on the broader issues has been laudable, the erosion of its traditional support for free trade clearly has resulted in strengthening the protectionist camp in the EU.

British Trade Policy and the Doha Development Round

By Peter Holmes

Liberalism as an Historical Tradition

The British position on trade policy has always been different from most other countries. Not only has the country a long export tradition which creates a structural interest in advocating open trade with the rest of the world, but there has also been a liberal or radical political tradition, popular as well as intellectual, that has embraced free trade for the United Kingdom itself. Adam Smith advocated giving up the American colonies and trading freely with them, and spent a large part of his “Wealth of Nations” attacking the East India Company for the harm it did to Britain. It is arguable that even 19th century Britain never entirely practiced what it preached, but the end of the Corn Laws has its place in our historical mythology as a triumph of economic sense. Similarly the great election of 1906 which brought to power the liberal government that created the Welfare State is famous for its anti-protectionist slogan of “cheap food”. In the 1960s and 1970s the main expert arguments over membership in the European Economic Community (EEC) concerned the extent to which the effects would involve “trade creation”, i.e. more free trade or “trade diversion”, i.e. European protectionism against the rest of the world, seen as damaging to the UK. To this day a politician seeking an easy cheer for an attack on the EU just has to mention the Common Agricultural Policy.

Any British party wishing to espouse openly protectionist policies (as the Labour Party did in the 1980s) is thus running against a powerful historical tradition. It is therefore not surprising that British governments have been more consistent than those of any country except perhaps Sweden, in their use of free trade rhetoric in a European context. This is especially true today in the context of the Doha Round, as the Labour government has publicly adopted the philosophy of “Globalization with a Human Face”.

But has the reality matched the rhetoric? It has not always been entirely so. Until the late 1990s the British government was ready to compromise its free trade principles when there was a political reason to do so. In principle within the EU there is a Common Commercial Policy so there are few points where we can actually see a distinctive British policy. The UK protected its declining textile and clothing industry under the *national* quota system of the Multifibre Agreement even if it may have been more liberal than some other EU member

states. Until the early 1990s the UK government encouraged its car firms to negotiate “voluntary export restraints” with their Japanese counterparts, in violation of both the principles of free trade and EU law if necessary. Ironically, the willingness to protect local production was in the end motivated by the recognition that this would not so much save local producers as attract Japanese inward investment.

The Arrival of Labour

The arrival of a Labour government in 1997, unlike the 1980s, raised no fears of a protectionist revival. Probably the most unusual feature of the new approach was that for the first years of the new Labour government the lead on trade policy was taken by the new Department for International Development (DFID) under its high profile minister Clare Short. Under its new leadership DFID appears to have been a genuine manifestation of the “foreign policy with an ethical dimension”. Strongly backed by the Chancellor Gordon Brown who has repeatedly claimed a commitment to the realization of development goals such as debt relief, and put (some of) his money behind his words, DFID saw the aid budget rise. But its officials concluded that the actual influence DFID could have through development assistance funds, especially those related to specific projects, was very small compared to what might be achieved by trying to leverage influence *via* other policies (of the UK, of the EU and of other international organizations). Thus while the Department of Trade and Industry (DTI) retained formal authority for UK input into EU trade policy, DFID officials were actively promoting their broader agenda in Brussels and Geneva. DFID was lobbying for the opening of markets in Europe to developing countries. To be sure, British trade policy has been influenced by economic lobby groups. The DTI or the former Agriculture Ministry were still structured around the desirability of supporting producer interests. But the now more liberal DTI was giving up the idea of specific sectoral support. It had always had a constituency of exporters as well as import competing producers, but now moved further away from mercantilism in such areas as export credit policy. Coincidentally, the Agriculture Ministry’s long standing ties to farm lobbies were badly hit by a series of food safety disputes.

It might be thought that DFID would have no constituency behind it, beyond what could be summoned by Clare Short’s charisma. However the idea of free trade and development support has a powerful resonance with the British public, and the government has been able to mobilize the latent power of active pro-development and consumer groups. A recent study of

public opinion¹ in the UK, France, Germany and the U.S. showed that British public opinion is highly favorable to free trade. 78 per cent of UK respondents classified themselves as “trade optimists”, compared with an average of 63 per cent for the other countries.² When asked what the effect of trade was on jobs at home and in the developing world, only UK respondents expressed a majority view that trade expansion would create jobs at home as well as abroad. On the other hand even the UK respondents were sympathetic when asked whether they would support protection if it would save particular jobs.

A government wishing to make the case for free trade can draw on a powerful network of expertise and civil society organizations.³ Consumer groups as well as development Non-Governmental Organizations (NGOs) enjoy privileged access to the government.⁴ This means that there is a genuine “trade policy community” and a well informed “civil society” watching the government, advising it and reacting to what it does, in a way that does not occur in some other European countries in this domain. What is striking is that NGOs in the UK have taken quite a different line from many in continental Europe. There is an anti-globalization current in British NGO activity but the development NGOs can be characterized more as “World Trade Organization (WTO) reformers” than pure anti-globalization activists. When the UK Friends of the Earth Magazine published a strong attack on the WTO, the next issue published a large number of letters from readers of the magazine who pointed out that the author had misunderstood recent WTO dispute settlement cases.

The DTI also prides itself on being able to justify its pro-globalization stance with research as well as NGO support. In the summer of 2003 the Consumers’ Association (CA) held a meeting at which academic researchers presented their findings on the costs to both developing countries and UK consumers of the Common Agricultural Policy; CA then presented its case based on these findings to the Secretary of State for Trade and Industry who was present. She responded that she was equally outraged by sugar and cotton subsidies. The Director of the CA reacted: “I am gobsmacked. I never expected to find myself agreeing with a government minister.”

¹ Griffith, Phoebe / Thurston, Jack (Eds.) (2004): *Free and Fair: Making the Progressive Case for Removing Trade Barriers*. London.

² Only France had a majority of “pessimists”.

³ In the late 1990s the French government decided to investigate where expertise on trade policy lay in Europe. The report concluded that it was most strongly to be found in UK universities and research organizations.

⁴ In a parallel way the government has created a constituency for competition policy by giving NGOs “Super-complainer” rights.

In a similar fashion, the new DTI White Paper on Globalization (published in July 2004)⁵ received a rather warm welcome from the NGO community. This paper can be seen as the definitive statement of the British position and at the same time, it contains a fairly comprehensive critique of many aspects of EU trade policy, including anti-dumping. Its core message is as follows:

“At present, developed countries rightly stand accused of hypocrisy: preaching free trade to the rest of the world, imposing trade liberalisation upon developing countries through the IMF and World Bank, but keeping up their own trade barriers to protect their own agriculture and other special interests. Protectionism is expensive, inefficient and ultimately ineffective, damaging taxpayers and consumers alike.”⁶

The UK position on *trade related* issues, such as the Singapore Issues, has been more complex. For example, the UK under the Major government was deeply unconvinced of the EU's trade and competition agenda. Government officials would privately say that they were willing to stand by their EU colleagues in public – because they had committed to trade and competition and had signed up for this as a package and because they had obtained what they wanted elsewhere – but they did not think there was much to be gained for British firms from this. The New Labour government turned this nominal commitment into a real one. DFID Minister Clare Short became a passionate convert to the idea that competition policy was good for consumers in developing countries, and for the development of enterprises. DFID funded research, much of it by NGOs,⁷ and also technical assistance via the WTO secretariat.

The UK government also publicly supported the rest of the Singapore agenda list until the last minute, despite the intervention of a number of analysts in the summer of 2003 who urged the UK to press the EU to “unbundle” them in the run up to Cancun. The new DFID Minister Baroness Scotland told a parliamentary committee in spring 2003 that trade and competition should be dropped if developing countries did not want to talk about it. But Clare Short's departure meant that the DTI was firmly back in the driving seat on trade policy. DTI officials

⁵ Department of Trade and Industry (2004): Trade and Investment White Paper: Making globalisation a force for good. London.

⁶ Department of Trade and Industry (2004): Trade and Investment White Paper: Making globalisation a force for good. London, p.10.

<http://www.dti.gov.uk/ewt/forewordintroduction.pdf>

⁷ See for example the “7-UP” project by the Consumer Unity & Trust Society (CUTS) group in India.

said in public and private that they were still determined to keep the Singapore Issues on the agenda if possible.

The government also took very seriously the issue of how far social health and environmental issues justified trade restrictions. A thoughtful analytical study was produced following input from civil society and trade experts, which was followed by further reports from DTI on how the policy had been implemented. The UK argued strongly that the contested complex of “trade and labour” should be left to the International Labour Organization (ILO) but acknowledged that there were no simple answers to those questions relating to trade and environmental issues.⁸

The one WTO area where the UK can be accused of ambiguity is Intellectual Property Rights (IPR). Clare Short asked the distinguished U.S. IPR lawyer and skeptic of recent steps to tighten the regime, Prof John Barton, to head a Commission on the issue.⁹ It came up with a very critical report. The IPR Commission’s skepticism about the WTO’s intellectual property agreement (TRIPS) and Clare Short’s immediate call for a rethink were welcomed by such radical commentators as the Third World Network¹⁰. But the overall government response, affected by the major pharmaceutical research and development (R&D) in the UK was more muted.

On migration (or Mode 4 Services Provision in WTO-speak), the government has mixed economic hardheadedness with blatant populism. The DTI White Paper speaks in favor of “a strong framework for managed migration” which in practice means being flexible about immigration where labor is scarce combined with a populist rhetoric about “bogus asylum seekers”.

⁸ See the Cabinet Office Performance and Innovation Unit (PIU) Report “Rights of Exchange: Social, Health, Environmental and Trade Objectives on Global Stage” (2000) and follow-ups under <http://www.dti.gov.uk/ewt/piu.htm>.

⁹ Commission for Intellectual Property Rights: <http://www.iprcommission.org/>.

¹⁰ Third World Network (2002): IPRs may need “re-scrutiny”, says UK minister. Geneva.

A Naïve Assessment?

Readers may conclude the author is naïve. The DTI White Paper quotes Macaulay that “[f]ree trade, one of the greatest blessings which a government can confer on a people, is in almost every country unpopular.”¹¹ So why would the British government be willing to commit to it? My answer as an economist is that on the whole, freer trade is generally a blessing and that in the UK this is widely accepted, so the government does not risk major unpopularity. Moreover, it might be argued that being generally in a minority in Brussels, the UK is able to indulge itself in grandstanding. I think this would be unfair.

Alternatively, skeptics might say this is all obvious: Blair’s government is just Thatcherite. But in fact the conservative governments were far *less* liberal than the present one on trade policy and paid very little attention to development issues.¹² Nor can one tell a story about the government being forced to give in to pressures from the International Monetary Fund or multinational firm pressures.

I am arguing that the current British government genuinely believes that free trade is good for Europe and the rest of the world, and argues this case, sometimes very effectively in Brussels. It can do this because this view is accepted by most of the electorate, as well as (increasingly) by vocal NGOs such as Oxfam.¹³

This analysis should not be taken to mean that the UK government bases all its policies on sound evidence and analysis. Far from it. Readers will no doubt be able to identify major policy areas where opportunism has overridden principle and dogmatism overridden evidence. But if I am right, UK trade policy does provide an interesting example where the crude public choice model does not work. It seems that in this area at least the UK government has taken a principled stand based on evidence as interpreted by the economics profession.

¹¹ Department of Trade and Industry (2004): Trade and Investment White Paper: Making globalisation a force for good. London, p.11: <http://www.dti.gov.uk/ewt/forewordintroduction.pdf>.

¹² The present government is also far more committed to a consumer-friendly competition policy than its predecessors.

¹³ The NGO community is less committed to the view that liberalization by developing countries is always beneficial but is far less hostile to this view than is the case for example in the US. See for example Oxfam (2004): Dumping on the world: How EU sugar policies hurt poor countries. London. http://www.oxfam.org.uk/what_we_do/issues/key_papers.htm.

France and the Doha Debacle

By Jean-Pierre Lehmann

“Public administration and private activity both have our good in view. But their services differ in that we suffer the former under compulsion, and accept the latter of our own free will; whence it follows that it is reasonable to entrust the former only with what the latter is absolutely unable to carry out.”

If asked who wrote the quotation cited above, people might think of Milton Friedman, possibly F.A. Hayek, but certainly not a Frenchman! In fact, it was Frédéric Bastiat, a French economist, philosopher and politician, who lived from 1801 to 1850. Perhaps “lucidity” is the term that best describes Bastiat’s economics, which he wrote about with great elegance and wit. Arguably one of the most brilliant pieces ever written in favor of an open trade regime is his remarkable spoof petition on behalf of candlestick makers to the National Assembly seeking protection from their rival the sun! It is difficult to think of many examples of such a leading thinker having had so little influence on his own country.

The Dictatorship of the “Fonctionnaires”

I have a small farm in the Vendée, in the western part of France, where my younger daughter breeds and raises horses. This is not your French “Dallas”, just a small cottage industry. Our neighbors are for the most part *bona fide* farmers. Over a New Year drink, one of them and his wife were bemoaning the fact that (a) French enterprises were all closing factories in France and moving abroad, (b) the country was being swamped with imports: “Our fate is to have the Chinese clothe us and the Brazilians feed us”. When I pointed out that France in 2004 was the world’s second biggest destination of foreign direct investment and that its exports to China and many other parts of both the industrialized and developing world were soaring, they said they had not thought of that. Obviously we are influenced by what we read in the press and hear on television, they commented. In fact, in international markets in many sectors, French industry, including small and medium sized enterprises, is doing very well. And yet, pretty much to a man and woman, the French are visceral protectionists. The “philosophy” can well be encapsulated by the remarks of Edouard Balladur, French politician of the centre-right, and a former prime minister and unsuccessful candidate for the presidency,

who commented that the market is the “jungle” and the aim of civilization must be to tame the market.

The “tamers” of the market, to pursue the analogy, are composed of a huge army of *fonctionnaires*. In English the word “*fonctionnaire*” would be translated as “civil servant”. This, however, emphatically fails to convey the essence of the *fonctionnaire*, because the *fonctionnaire* is anything but “civil”. He or she as a species – there are always of course exceptions – is in fact highly uncivil, a disagreeable and petty dictator, whose main role in life is to interfere in and disrupt the lives of ordinary Frenchmen. My peasant New Year drink couple admitted later in conversation that a lot of their time is taken up filling out innumerable forms for these tyrants and that they are often returned because of some “irregularity” – a favorite term in the *fonctionnaire* lexicon. While the French are visceral protectionists, they are above all agriculture visceral protectionists. But contrary to what is generally imagined, the vanguard agricultural protectionists are not so much the farmers themselves, but the numerous farming bureaucratic departments and lobbies, who would be the ones most to feel the effects of agricultural reform and agricultural trade liberalization. In off-the-record meetings with most trade officials, they will generally agree to all or at least most points made in favor of liberalization. The conclusion, however, will almost invariably be that, while all comments made about free trade may be true in theory, account nevertheless needs to be taken of “political realities”.

In many countries, what this means is that while the majority of citizens are at least dimly aware of the benefits of free trade and, as consumers, will willingly go for products that offer best price and quality, they are not organized and do not represent a political constituency, certainly not a strong one.

In contrast, therefore, to liberal trade theory – and to reality – that in trade, the greatest benefits are derived from imports, and that exports must be generated in order to pay for the pleasure and benefits of imports, the current framework of international trade is highly mercantilist. In this perspective: Exports are good, imports are bad. Thus the language of trade negotiation is replete with references to “concessions”. You make me an “offer” to open your market in X (something in which I have an active political lobby seeking to export) and I will make a “concession” in market Y (something in which I have an active political lobby seeking protection). This is obviously a quite demanding political balancing act. In fact, it is

in the longer term harmful to all concerned. I have referred to trade negotiations as a flagrant example of Orwellian “Doublespeak”, to which trade negotiators reply that they prefer the term “constructive ambiguity”.

Liberalism Doesn't Pay in France

The point, however, is that whereas in most Organisation for Economic Co-operation and Development (OECD) countries, there is a balancing act between a generally pro liberal trade disorganized majority and different protectionist interest groups, France is one of the few countries – along with Japan and Korea – where the disorganized pro liberal trade majority is conspicuous by its absence. Open trade is seen as a means for various “imperialist” groups to gain access to the French market, e.g. Japanese cars, American audio-visual products, and now Chinese textiles and Brazilian food products.

Perhaps the greatest symbol of this promethean engagement was the decision taken by the Mitterrand government in 1982 that all imports of Japanese videocassette recorders should be processed through the small inland customs office of Poitiers, in order to protect the French videocassette recorder industry (sic!). Poitiers in French history is mainly known as the site where in 732 the Gaul king Charles Martel (Charles the Hammerer) defeated the invading Saracens and ejected them from France. The symbolism of Poitiers and Japanese imports was lost on no one.

Consequently, in French politics, if you are a protectionist, you are on safe political ground. This is a rare subject on which all parties across the left-right political spectrum tend to agree; indeed political rivals, between and within parties, will vie among each other to determine which is the more protectionist. President Chirac is one of France's more visceral protectionists; his main rival, Nicolas Sarkozy, generally judged to be more “liberal” than Chirac, has certainly not assumed any free-trade rhetoric, indeed very much the opposite.

Paradoxically, it is perhaps only in the U.S. and in France, albeit for totally different reasons and based on diagonally opposite interpretations of the term, that “liberalism” is a dirty word. In the U.S., liberalism connotes big government spending and intervention, in France it connotes extreme Thatcherism: the Darwinian law of the market (i.e. jungle). The only French

politician who openly referred to himself as “liberal” is Alain Madelin, for which he has paid a very heavy price of being cast out in the political wilderness.

The French Image as the Third World’s Friend

Whereas in all past General Agreement on Tariffs and Trade (GATT) Rounds, France perceived no other need than to defend its narrow national interests, the fact that the Doha Round was named a “development” round could conceivably have put Paris in a quandary. While there is virtually no open trade constituency – let alone trade conscience – in France, overseas aid and development are a rather different matter. France sees itself as an independent world power. Here too there is a quite strong consensus across the political party spectrum from left to right. France is a nuclear power, it is a military power that intervenes overseas, it is a political power, and it sees itself as an ideological power. It has a strong and active foreign policy, as well as a foreign policy philosophy! This is all part of the legacy of Charles de Gaulle, who had a vision of and for France. France also fashions itself somewhat – its massive arms sales notwithstanding – as something of a “global conscience”, whose destiny it is to be highly vigilant and, when appropriate, opposed to American policy. This was true of the Vietnam War, it is true of the Middle East, and it is true of the Iraq war. France has relatively few colonies left, but it has not by any means abandoned its “*mission civilisatrice*”. In their excellent book, *L’Arrogance Française*, the journalists Romain Gubert and Emmanuel Saint-Martin point out how France outspends all other countries in its “cultural” representation abroad. Part of the image it has sought to cultivate is that of friend of the Third World, especially, even if not exclusively, in respect to Africa and the Middle East.

In terms of official development assistance, France is well behind the 0.7 per cent of Gross Domestic Product (GDP) adopted by the OECD and reiterated in the Millennium Development Goals and those countries that have either achieved or surpassed the target: Luxembourg, Norway, Sweden, Denmark and the Netherlands. But at 0.36 per cent its share is significantly higher than that of all other G-7 countries. So France is among the more “generous” donors.

The French image of friend of the Third World is further enhanced by the activities of its world renowned Non-Governmental Organizations (NGOs). These fall into two broad categories: (1) those that are essentially non-political but highly active in humanitarian work –

the most notorious of which is the Nobel Peace Prize winning *Médecins Sans Frontières* – (2) those that are polemical “defenders” of the Third World against rapacious liberalism, the most famous and active of which is ATTAC. ATTAC was the principal founder of the World Social Forum, run in parallel to the World Economic Forum (Davos), in Porto Alegre (Brazil), and Mumbai (India), and which generally aims to derail globalization, or, in its more recent manifestation, seeks to offer an alternative form of globalization. France was the only country that sent ministers to both Davos and Porto Alegre, though since the election of Luiz Ignacio Lula da Silva as president, so has Brazil.

Inherent Contradictions

France’s external image projection contrasts somewhat with internal realities. The most egregious of these is French protectionism, a good deal of which discriminates against imports from developing countries, and especially its massive agricultural export subsidies that undermine the livelihoods of farmers and peasants in developing countries. Nor is France open to immigrants from the Third World. When Chirac made his tour of North Africa in 2003, the word the crowds repeatedly chanted was “visas”. Immigration, like agriculture, is a subject about which most mainstream parties tend to converge. The quite phenomenal success of the extreme right wing demagogue, Jean-Marie Le Pen, and his National Front party, has resulted in the mainstream parties accepting “political realities” and competing to appear tough on immigration. France’s minorities from the developing world, especially those from the Maghreb, are not well assimilated. Quite a lot of racial discrimination does occur in France.

There are, as can be seen, many contradictions in France’s position, image and condition. Although France has no monopoly in contradictions, they are in its case perhaps more acute in view of the still important role that grandiloquent rhetoric plays in the French political and especially foreign policy arena.

The Stakes of the Doha Round

In October 2003, a month after the collapse of the World Trade Organization (WTO) ministerial talks in Cancun (Mexico), I was at a meeting in Paris convened by IFRI (the French Institute of International Relations). Dealing with various issues relating to the world

economy, geopolitics, defense and security, international relations, there were both academics representing all these various disciplines as well as senior officials from the respective ministries: defense, foreign affairs, finance and economy. I commented on the fact that whereas we policy-thinkers might think we were actually influencing the policy process and the policy makers might think they were making policy, in fact we were all puppets and that “real” decisions are made by those not present, namely the ministry of agriculture and its associated lobbies.

The remark, not surprisingly, did not go down particularly well, and though it might be slightly exaggerated. It nevertheless reflects an important dimension of reality. To anyone who has given any thought to the matter, it is clear that there is a lot at stake for the world in the Doha Round. Trade has now become closely inter-linked with development, security, growth and the wider framework of international relations and international institutions. The 1990s demonstrated that there is clearly a cleavage arising between north and south. It is somewhat reminiscent of the 1970s and the movements for a new international economic order, except for one big difference: In the 70s the overall assumption was that developing countries would be better off outside of and protected from the global market economy, whereas in the 1990s developing countries are demanding participation in the global market economy, but on the basis of a level playing field. The situation at present is most emphatically not a level playing field, as developing countries are handicapped in numerous respects. The Doha Development Round should also be seen in the context of other global initiatives, notably the Millennium Development Goals. The failure of the Doha Round would have very nefarious consequences in many different spheres.

These considerations, however, seem never to have entered Paris’ mental horizons. Apart from the protectionism and strong agricultural lobbies mentioned above, there is another point that needs to be made. More than perhaps in most countries, in France there is a quite clear and thick line drawn between *high politics* and *low politics*. High politics is foreign and military affairs and culture; low politics includes most elements dealing with economics, with “commerce” the lowest of the low. The term “*affaires commerciales*” has pejorative connotations. The French Minister of Trade is a very lowly figure in the Parisian ministerial circle.

In any case, the proof of the pudding France, intended to concoct in the context of Doha, was to be made clear at Cancun. Although it is correct that trade policy is officially made by the European Commission and there is only one European trade policy, in fact each member state has a representative to the WTO, and each member state sends ministerial delegations to the ministerial meetings. France's delegation to Cancun was the EU's largest. There were a few isolated individuals representing the relevant ministries and departments for development and overseas assistance, but little more than peanuts compared to the vast army deployed by the Ministry of Agriculture and its associated departments, lobbies, etc.. This clearly showed where Paris' true priorities lay: not the promotion of global trade, growth and development, but the protection of its agriculture.

Cancun was a colossal failure. It was not simply a failure of trade negotiations. In many ways it was a failure of leadership, of vision, of humanity. The depth and extent of the failure of Cancun notwithstanding, it elicited not a single remark from the president, nor from the Prime Minister, Jean-Pierre Raffarin – both of which have their political fiefdoms in rural constituencies. In the months following Cancun, attempts have been made to put humpty-dumpty back together again. The EU has gone further than it has ever before in committing to scaling back its agricultural subsidies; the fine-print, however, is very vague. Even that, however, has elicited remonstrations from Paris. Pascal Lamy was accused by the Elysée of having gone further than his mandate allowed.

The next important date will be the ministerial meeting in Hong Kong in December 2005. There will be a lot of haggling and a lot of brinkmanship. It will in all likelihood not be a very edifying spectacle. While Jacques Chirac is said to have had a profound dislike for the former EU Trade Commissioner Pascal Lamy (which may have been an impediment in the EU trade policy process), the fact that the new trade commissioner is British and a close crony of Chirac's *bête noire*, Tony Blair, may not presage an easy ride. Apart from strongly recommending that French political leaders should read their Bastiat, there is not much that can be done. France, I fear, is slated to be the great recalcitrant of the Doha Round and global trade liberalization.

Waking-up from Trade Policy Hibernation? Germany's Role in the Doha Development Round

By Andreas Falke

By any statistical measure Germany remains one of the power houses in international trade. It usually comes first or second in terms of export volumes. In fact exports have been the only mainstay of economic growth in the past few years, while domestic demand has remained weak. There are some clouds on the trade horizon too, as the German share of world manufacturing exports is declining and there is a lack of cutting-edge, innovative products in the composition of German exports. Nevertheless, Germany can still pride itself as “export world champion”.

Its impact on trade policy – within the EU and in other fora – has been less remarkable. Germany has lost any distinct profile in trade policy. As I have argued in a recent paper, “German trade policy” might just as well be called an oxymoron.¹⁴ This is somewhat surprising as, until the early 1990s, Germany played the traditional role as a stalwart of trade liberalization in post-war Europe. Ever since Ludwig Erhard's unilateral liberalization in the early 50s, a liberal trading regime has been the credo of German foreign economic policies. And even though certain sectors enjoyed protection, German trade policy objectives were credibly directed towards market opening at home as well as abroad. Germany was in the lead when the liberalization of product markets became an issue. Germany advocated trade liberalization and benefited from it. An open world trading system became the mantra of the German political class. However, the commitment to open markets was not absolute. Rather, it was embedded domestically in the social market economy, and externally in Germany's foreign policy strategies. Already in the 1950s, Chancellor Adenauer asserted the primacy of foreign policy against Economics Minister Erhard when he pushed through the Rome treaties, overriding Erhard's objection that they would tie Germany to an illiberal policy regime. In this sense Germany was never a pure trading nation. Trade policy never was at the centre of external relations as in export oriented countries such as Australia, Japan and possibly Canada.

¹⁴ See Andreas Falke (forthcoming): German Trade Policy: An Oxymoron? In: Wyn Grant / Dominic Kelly (Eds.): The Politics of International Trade: Actors, Issues, Regions. London, p.252-272, and my paper on “German Trade Policy: The Decline of Liberal Leadership”, prepared for the conference “German Foreign Policy in the 1990s and Beyond” at the Bundeszentrale für Politische Bildung in Brühl, July 2004. Together with all other contributions, the paper will be published in a volume edited by Hanns W. Maull (London, forthcoming).

Reasons for the Decline of German Leadership

Within the European context Germany was securely anchored in the camp of liberalizers and formed a counterweight to the southern Europeans who were reluctant to allow trade liberalization. Germany did not hesitate to use other fora than the European Community such as the G-7 process to push forward trade liberalization when the EC/ EU process stalled. Here Germany could use its leverage in monetary affairs to nudge countries such as Italy and France to accept the packages of various General Agreement on Tariffs and Trade (GATT)-negotiations. This type of approach was pursued in the 70s during the G-7 meetings parallel to the Tokyo Round negotiations. But at the end of 80s Germany's liberal leadership in trade policy began to slow, if not to erode. Several factors account for the loss of German liberal leadership. They all predate the Doha Round:

- the priority German politicians have accorded to pursuing European integration in general and the bilateral relationship with France in particular over pursuing national trade preferences;
- the loss of monetary policy sovereignty with the initiation of the Economics and Currency Union as a lever to influence reluctant liberalizers in the EU, particularly France;
- the dramatic decline of the standing of the Economics Ministry within the interagency power structure, coupled with weak trade policy leadership at the ministry and the German economic policy elite in general;
- the rhetorical persistence of the free trade consensus that, in the light of continuing export success, has led to policy complacency.

Beginning with the Uruguay Round, Chancellor Kohl's integrationist aspirations fully subordinated trade concerns and the liberal profile of Germany's trade agenda to Germany's overall EU strategies. Pursuing an ever closer union under the Maastricht Treaty eclipsed trade policy leadership, despite persistent pleading from the Americans to bring the Uruguay Round to a conclusion. Thus, the decline of German trade policy leadership was induced primarily by its European policy preferences, not by the impact of the anti-trade instincts of the nascent anti-globalization movement that first emerged in North America in the late 80s/ early 90s. As a matter of fact, the German Economics Ministry under the Kohl government resisted the inclusion of "non-trade" issues such as trade and labor standards, trade and the

environment or the subjection of trade and development issues to the objectives of development Non-Governmental Organizations (NGOs) and their allies in the bureaucracy.

The Coming of the Red-Green Coalition

This all changed with the advent of the red-green coalition under Chancellor Schröder. Bringing in “civil society” groups into trade policy with all the concerns about trade and environment and trade and social issues became a priority of the Greens and of the left-wing Social Democrats. Harnessing trade policy to the goals of the NGO-based development community was the goal of official development policy under SPD Development Minister Heidemarie Wieczorek-Zeul. The politics of trade policy changed overnight from a rather apolitical field of traditional producer interests to a highly politicized field with new stakeholders pursuing other goals than market opening (most notably developmental, environmental and social issues). While this was nothing unusual given the experience of other industrialized countries with an anti-trade wing of the anti-globalization movement, the abruptness and force of the process was surprising. NGOs had all of the sudden official blessing by the governing coalition. Germany’s trade policy apparatus was under enormous pressure to adjust to this change

These changes coincided with the declining standing of the ministry in the bureaucratic hierarchy. The newly appointed Economics Minister Werner Müller in the Schröder government, an unknown energy manager with no party affiliation and no base in any of the governing parties, had no genuine interest in trade policy. The highly respected and experienced career state secretary for foreign economic affairs, Lorenz Schomerus, and the office director for trade policy were about to retire within a short period of time. These changes created a trade policy vacuum that was easily filled by the representatives of the new stakeholders, such as Environment Minister Jürgen Trittin and Development Minister Wieczorek-Zeul, who seized upon the opportunity to push their agenda.

The European Context

This vacuum occurred at the same time as the European Commission under Trade Commissioner Pascal Lamy was getting ready to shift the emphasis from trade policy towards

a “post-modern” agenda¹⁵, meaning in essence using trade policy for other goals than just market opening. In this context, the Commission developed its approach to a new round of trade talks, which were later dubbed the Doha Development Round. Between 1998 and 2001, the year of the Doha Ministerial, the Commission developed an ambitious negotiating agenda that went far beyond traditional market access concerns in manufacturing, agriculture and services. In addition to these market-access based issues, it included trade and environment, trade and labor, as well as competition and investment, the latter being the most prominent of the so-called Singapore Issues. The overall message was that the next trade round was to serve the interests of the developing countries.

The agenda resembled a “shopping bag approach” to trade policy trying to please all the interests in the EU. In its comprehensiveness it rather looked like a blueprint of global governance than as a credible program to liberalize market access. As regards the political process, the Commission promoted the inclusion of NGOs through its “civil society” dialogue, replicating developments which were happening in many of the member states’ capitals. In many ways then, developments in Brussels and Berlin were synchronous. Both Berlin and Brussels were shifting to a post-modern trade policy agenda, with an emphasis on non-market access issues (or issues that were only remotely related to it).

The Blessings of Ambiguity

Against this background, it was little surprising that the German government welcomed this enlarged agenda. In fact, there was even a clearly harmony between Berlin and Brussels through the joint convergence on a post-modern policy agenda.¹⁶ Berlin could fully live with this agenda because of its ambiguity. It contained enough market access issues, as well as of the non-trade issues. Trade and investment and trade and competition, the core of the Singapore Issues, could be read in a market-access context. This interpretation made this agenda palatable to the German business community, which enthusiastically embraced it. And indeed, incorporating competition and investment rules could be seen as supporting market-based regimes, particularly in developing countries, and thus aiding market access and increasing trade. However, under another interpretation, the Singapore Issues could be used to

¹⁵ Dymond, William / Hart, Michael M.(2001): Post-Modern Trade Policy: Reflections on the Challenges to Multilateral Trade Negotiation after Seattle. In: Journal of World Trade, 34(3), p.21-38.

¹⁶ On impact of a post-modern trade policy agenda see Andreas Falke (forthcoming): EU-US trade relations in the Doha Development Round: Market-access versus a post-modern trade policy agenda. In: European Foreign Affairs Review.

water-down market access by giving World Trade Organization (WTO) blessing to very restrictive investment regimes, for instance by placing public sector activities off-limits to foreign private investment. Tactically, negotiating about highly complex issues such as competition and investment regimes could also be used to drag out negotiations or to avoid concessions on issues painful to the EU such as the abolition of agricultural export subsidies. The ambiguity of the post-modern trade policy agenda fitted Germany very well as it did not require clear strategic choices. All this was underpinned by a carefully crafted lobbying campaign by Trade Commissioner Lamy in Berlin that covered all the bases from industry, government to the budding NGO community in Berlin. The downside of this policy shift was the loss of one of the clear voices for a market access in the line-up of policy positions among member states. Germany's trade policy profile as one of the proponents of trade liberalism was further compromised and watered down. Deference to Brussels became the default condition of German trade policy. Driven by domestic needs, Germany fully subscribed to the Commission's global governance approach, sometimes even going beyond positions on the agenda that the Commission had already given up as not viable. For instance, members of the red-green coalition pressed for the inclusion of labor standards when the Commission had long given up on this issue. In general, Germany's uncritical support of developing countries, championed by the Development and Aid Ministry, reduced the pressure on the Commission to demand concessions on market access by developing countries such as Brazil and India. It also greatly facilitated European concessions on intellectual property rights for pharmaceuticals to third country providers in the developing world without receiving any concessions in return. Germany, in essence, sacrificed the interests of its pharmaceutical industry for a failed Commission strategy that sought to buy off developing countries' demand for agricultural liberalization by relaxing intellectual property rights protection for industrial countries' products in the developing world. As decisions on intellectual property rights require unanimity in the EU Council, Germany could have used its veto or put conditions on the relaxation of Intellectual Property Rights (IPR) rules. The uncritical acceptance of the Singapore Issues by Germany encouraged the Commission to hold on to them at Cancun, when it had become obvious that there was no significant support for them from other countries, except agricultural protectionists such as Switzerland, Norway and Japan.

The costs of the German policy shift towards a post-modern agenda did show up on the global level too. The problem of the post-modern trade policy agenda was that there was no support

from any other major player in the world trading system. The developing countries resented the inclusion of labor and environmental issues into the trade agenda as a pretext for protectionism and saw the establishment of investment and competition regimes at best as a burdensome requirement absorbing massive administrative resources and at worst as interference in its fragile domestic policy regimes. The U.S., which under the Clinton Administration had for a short time flirted with a post-modern policy agenda to the point of even considering the incorporation of labor standards in the WTO, had after the failed Seattle meeting refocused its policy on market access. Even on competition and investment, the U.S. had become weary. It had noted that the trial balloon for an investment regime under the auspices of the Organisation for Economic Co-operation and Development (OECD) – the Multilateral Agreement on Investment (MAI) – had failed miserably partly due to the onslaught of NGO criticism, and was unlikely to be acceptable to emerging market countries at which it was aimed.

The consequence of the German policy shift were clear: When Germany departs from liberal trade policy norms and fails to have an corresponding impact on the EU's position, then EU trade policy will be less liberal. In addition, as market access is still at the core of the world trading system, EU policy will also be less constructive in terms of forging the bargains that are viable for creating a sounder basis for market access in the world trading system. This is not to argue that this responsibility or role falls exclusively on Germany. The Netherlands and the UK, for instance, share this responsibility, but when one exponent of trade liberalization drops out, then the equilibrium between the outward and inward looking forces in the EU trade policy line up is disrupted.

The Melting of the European Agenda and the Cancun Lesson

As the international support for the inclusion of “non-market” issues into the current trade negotiations was rather weak, the EU had to gradually back down from its initial position. Labor standards were already dropped in the pre-Doha phase. At Doha, trade and environment was peeled off (the issue was basically reduced to negotiating the compatibility of multilateral trade and environmental rules). Finally, the entire Singapore agenda was eventually dismantled at Cancun as developing countries refused to discuss them until the developed countries satisfactorily addressed agricultural export subsidies. In the end, the EU had to converge to the U.S. market access based approach. The real costs of the EU's insistence on

its post-modern agenda were an unnecessary complication of the negotiations and an unnecessary delay in propelling the negotiations towards a conclusion. It is noteworthy, however, that in the EU's adjustment process to the realities of the world trading system, Germany played a constructive role and rediscovered its liberal leadership potential. This rediscovery was connected to personality changes: In the run-up to the Cancun ministerial, Wolfgang Clement, then governor of North-Rhine-Westphalia, a politician with influence in the SPD, replaced the hapless Werner Müller as economics minister, and within the economics ministry, the trade portfolio was taken over by state secretary Tacke, a close associate of Chancellor Schröder with an activist policy bent. The final responsibility for trade policy in Germany was reclaimed by politicians with real clout. Although both men had no particular expertise in trade policy – Cancun was their first exposure to the issues and conflicts – they instinctively understood what was at stake in the WTO negotiations. While not disavowing the post-modern elements in the EU's and Germany's trade policy positions altogether, they went to Cancun ready to deal and bring the meeting to a successful conclusion. At Cancun, Clement and Tacke also gained first-hand experience with the heavy-handed, unconstructive tactics of NGOs which persuaded them of the need to keep more distance to NGOs in the policy process and to subject their claims to a reality check. After Cancun, NGO influence on German trade policy-making was fading, creating more room for market-based policies. German policy-makers and bureaucrats resumed their more traditional role as guardians of market-access. Germany now pushed for and fully supported the removal of investment and competition as negotiating items as they were seen as an obstacle to the progress of negotiations. Germany also broke ranks with a reluctant France when it began to support the termination of agricultural export subsidies, a clear sign that solidarity with France was fading as one of the political contexts of German trade policy.

The failed Cancun meeting served as a wake-up call for German trade policy-makers. Germany began to work hard to shape the EU agenda in a way that made it compatible with the goals of the other major actors in the world trading system. Germany's successful call for the abolition of agricultural export subsidies is a case in point. Berlin also worked as a moderating force in transatlantic trade relations.

The Way Ahead

Despite the (re)discovery of the virtues of trade liberalization, it may take a more sustained effort for Germany to continue this course: Which steps should Germany take? What does Germany need to do in order to keep the momentum of trade liberalization going?

- 1.) Germany should not take trade policy or liberal outcomes for granted, simply because Germany has been running a sizeable trade surplus or because trade policy is a Brussels competence. This is a misperception. Member states continue to have significant influence on trade policy, and the more so, the earlier they move. If Germany does not throw in its weight, others will take its place.
- 2.) In order to have influence, Germany has to do its homework. Berlin needs to articulate a clear position on trade issues and build a distinct policy profile which is helpful in identifying issues and in setting the future agenda. This is necessary even though EU trade policy will always be based on compromise and give-and-take. For a more structured input in trade policy-making, an annual white paper or report on Germany's interest in the world trading system and EU policy-making would surely be helpful.
- 3.) Above all, trade policy should remain trade policy, and not be used as an instrument to effect environmental and social policy outcomes internationally. In this context, a trade policy white paper would also be useful in identifying what trade policy can achieve and to what degree it needs to be coordinated with policies in other areas.
- 4.) Trade policy in Germany needs more resources (both intellectually and in terms of manpower). Given the proliferation of issues in trade policy, staffing in the responsible agencies is inadequate to come up with the necessary policy input.
- 5.) Create an intellectual constituency for trade policy. Economic and social science research institutes should be brought into the policy dialogue. Such a move would help to balance the NGO public opinion advantage and subject their positions to a reality test. It will also enrich the welcome and necessary policy dialogue with civil society actors. This will also give an intellectual stimulus as it makes academics more attuned

to the realities and contingencies of policy-making. Such a process should include the media which has currently too little expertise in trade policy.

- 6.) Germany must face the competitive challenges of the new balance of power in the world trading system where the emerging market economies such as China, India, Brazil and eventually Russia gain weight. These countries do not only possess an abundant supply of cheap labor, they increasingly have the technological and research base to challenge the advanced industrial countries even in the most sophisticated and technical advanced product markets. The temptation of protectionism will grow, and thus the need for balanced bargains between the new competitors and the established industrial countries.
- 7.) To arrive at these bargains, the GATT/ WTO system is still the best forum, though clearly not the only one. Despite its characterization as neo-liberal behemoth or the instrument of large corporations, it is based on norms of reciprocity and mutual benefits negotiated by governments. Europe will have to come up with a proper mix of strategies to cope with the new competitive pressures. Germany is ideally placed to play a role in it.
- 8.) Last but not least, Germany should take the lead (maybe together with the United Kingdom) to seek a tacit alliance with the United States. This is an imperative that arises not only out of the decline of the security policy basis of cooperation that dominated the cold war period, but out of the fact that there is an overlap of objective interests. Despite of occasional minor frictions, Europe's and America's trade, competition and competitiveness interests are converging, even in agriculture. For this to happen, it needs even more cooperation than was achieved by the Trade Representatives Bob Zoellnick and Pascal Lamy. All stakeholders and potential veto players in the domestic line up on both sides need to be involved. This alliance should be tacit so that it is not interpreted as a "ganging-up" against other major actors in the world trading system. The aim would not necessarily be a transatlantic free trade area, but more readily available domestic support for whatever opportunities of cooperation are identified by transatlantic agenda-setters.

Managing the Agenda – The EU’s Rationale for a New Round of Trade Negotiations

By Bart Kerremans

The European Union has been at the forefront of efforts to start a new round of multilateral trade negotiations in the World Trade Organization (WTO). This is remarkable in itself as many among and inside the EU member states believed that the Uruguay Round of multilateral trade negotiations – the round that resulted in the creation of the WTO – had shown that such a way of liberalizing trade was time-consuming, inefficient, almost impossible to manage properly, and cumbersome. At the end of seven years of difficult negotiations, many concluded with some exhaustion and exasperation: “Never again”.

Only a few years later, however, the idea of a new round started to grow inside the European Commission and was ultimately accepted by the EU Council in March 1998. In October 1999, a text was adopted that can be considered to be the large mandate under which the Commission could continue to work on the launching of a new round. A first effort to do so failed in November 1999 in Seattle. A second one succeeded in November 2001 in Doha. Since then, the EU in general and the Commission in specific have been struggling to keep the process on track despite some major setbacks, the failed WTO Ministerial Conference of Cancun (September 2003) being the most prominent one.

Why is it that the EU – and especially the Commission – wants to work with a new round, despite its experiences with the Uruguay Round? This article will briefly focus on this question. The answer will be provided by both procedural and substantive elements. The former refers to the nature of the EU’s negotiating system itself and the Commission’s efforts to create a negotiating context that may ease the tensions and pressures of its central negotiating role. Substantively, the EU remains a net beneficiary of further trade liberalization (and multilateral trade regulation), despite the substantial adaptation costs for some of its industrial sectors. In addition, multilateral trade liberalization can be partly seen as creating some leverage to push the member states into accepting the resolution of internal EU problems that would be difficult – if not impossible – to resolve in the absence of multilateral trade negotiations, notably on agriculture.

The EU System in the Area of External Trade Relations

The EU's decision-making on external trade negotiations gives a central role to the European Commission (EC). Not only does the Commission need to initiate such decision-making inside the EU – by proposing the start of external trade negotiations. It also acts as the EU's negotiator on the international stage.¹⁷ Despite this central role however, the Commission needs to operate in close cooperation with the member states and their representatives (convening in the so-called Committee 133). First, even if the EU's decision-making in this area needs to be initiated by the Commission, it cannot engage in any external trade negotiations without the Council's authorization. Second, the final external trade agreements that it negotiates need to be ratified by the Council, and quite often by each of the EU member states too. Indeed, because of the broad scope of the WTO negotiations, some issues partly belong to the EC's exclusive competencies while for others the EC and its member states share the competencies. It may also be the case that the Council issues a range of negotiating directives that provide the framework within which the Commission is required to negotiate. This so-called mandate is however no legal obligation. It is merely an option that the Council can use. In any case, the Commission is in an awkward position as it has always to pay attention to the member state's preferences and opinions. If it really wants to negotiate efficiently in the WTO context, it needs to be able to act flexibly and at times to play a "my-hands-are-tied-game". Against this background it is crucial for the Commission not only to be concerned about the limits imposed by the member countries, but also to be able to manipulate these limits itself whenever necessary. The key to understanding the EU's role in the launching of the Doha Development Agenda consists of such manipulation.

Uruguay Left-Overs

Part of the outcome of the Uruguay trade negotiations consisted of a so-called built-in agenda. New negotiations on some of the issues already negotiated in the Round were provided for, and this according to a clearly defined time schedule. At the time of the negotiations, such a schedule provided a way out of some difficult issues as it laid out a relatively clearly defined perspective on further trade liberalization. As such, the built-in agenda was an essential component of the compromises reached. In the short term, it was also quite convenient for the EU, as it bought time to continue the reform of the Common Agricultural Policy and to

¹⁷ Legally, it is not the EU that operates here, but the EC.

postpone the sensitive question of its export subsidies for a while. In the longer run, however, the Europeans would have to face this question again

The problem with the built-in agenda was particularly that it contained a number of deadlines for restarting negotiations on different issues separately. This limited the Commission's ability to trade concessions on one area against those made in others, and made such trade-offs more difficult to achieve. This was especially problematic for the agricultural negotiations where the reduction of domestic support and – even more sensitive – that of export subsidies would be on the table again. For the Commission as the negotiator on behalf of the EU, it was pretty clear that having to deal with these issues separately from others (where the EU would clearly be the net beneficiary) was politically risky. In order to avoid this, the agricultural negotiations – that following the built-in agenda started in March 2000 – needed to be integrated in a wider agenda. The urgency of doing so increased as the peace clause of the Uruguay Round Agreement on Agriculture (AoA) was scheduled to expire at the end of 2003. This clause contains the promise by the WTO members to temporarily abstain from the launching of dispute settlement cases against agricultural subsidies.¹⁸ It is clear that the expiration of this clause would further complicate internal EU decision-making on the planned agricultural negotiations in the WTO.

The Rationale for a New Round

For the Commission, the launching of a new round of multilateral trade negotiations thus became the *conditio sine qua non* for its capacity to achieve damage limitation inside the EU on the agricultural issue. In addition, the Commission realized that maintaining the Common Agricultural Policy (CAP) under the existing subsidy mechanisms was becoming highly problematic anyway, largely because of internal EU budgetary reasons. The EU's pending enlargements to Cyprus and Malta on the one hand, and Central and Eastern Europe on the other hand made this obvious. Agricultural negotiations within the WTO under the condition of damage limitation would therefore also offer a promising tool for the EU to structurally resolve the problems of its over-financed and overproducing agricultural sector. The whole strategy of the Commission has therefore been to focus on a broad multilateral negotiating round. The obstacles were considerable. In the first place, reluctant member states needed to

¹⁸ This thus means that countries promised to abstain until the end of 2003 from their right – as provided by the WTO Agreement on Subsidies and Countervailing Measures – to act against government subsidies granted by the other WTO members, at least on agriculture.

be convinced and to be kept on board as soon as the new round started. Secondly, the developing countries needed to be persuaded. Thirdly, the United States were hesitant too.

Firstly, member states shared a general understanding about the Commission's motives for supporting a new round, even if some of them realized the risk of such an approach for their own agricultural interests. A new round could indeed work in different ways. It could mean that the EU could avoid painful agricultural concessions by compensating the other WTO members with more concessions in other areas. It could also mean, however, that the EU would accept more concessions from the other WTO members in non-agricultural areas as compensation for painful measures in the agricultural sector. The central question would then be what the distribution of the political costs and benefits across the member states would be, and how the Commission – through its negotiating behavior – would try to affect that distribution. Overall however, a general understanding was shared that maintaining the CAP was unrealistic anyway, certainly in the context of an enlarged EU, and that putting reforms into a larger WTO context could be beneficial for member states with substantial agricultural interests too. The result of this was that the member states adopted a rather vaguely defined mandate in October 1999 that left all options basically open. This way of working put the onus of the internal decision-making process in the EU on the interaction between the Commission and the Committee 133, and on the Commission's ability to anticipate the member states' reactions to its own negotiating strategy.

The second element – convincing the developing countries – was not an easy task too. That the Commission tried to do so by targeting the poorest among them was also the consequence of a mixture of motives, part of them related to its strategy to launch a new round. Dealing with the question of the poorest developing countries (LDCs) would not only buy their support for a new round, but would also resolve the problem of the incompatibility of the EU's ACP regime (Africa-Caribbean-Pacific) with its WTO obligations. Indeed, the ACP regime between the EU and a range of developing countries (largely former colonies of EU member states) contained specific provisions for the LDCs among them. This created a problem of discrimination between the LDCs that belong to the ACP group and those that do not. By creating an overall trade regime targeted at the LDCs, this discrimination would disappear. At the same time however, the new regime needed to be sufficiently attractive so as to be attractive for the ACP-LDCs as well. For this end, the EU adopted the so-called Everything But Arms (EBA) Initiative of February 28, 2001. It provides for duty-free access

for the products of the LDCs to the EU's market except for arms and ammunition. Transition periods were provided however for bananas, rice, and sugar, which reflected the difficulties inside the EU with making concessions in internally sensitive sectors.

Finally, convincing the U.S. was equally difficult, largely because Washington understood what the Commission's strategy was, but wondered – like the EU member states did – what it would bring them at the end of the new round. The Americans equally wanted to avoid that a new round would entail the postponement of trade liberalization for a longer time – given the expectation that such a round would be time-consuming – and wanted, therefore, some “early harvests” during the process. In the end, the U.S. accepted to get on board because it realized that a new round was going to be essential for any prospect of agricultural trade liberalization, especially the dismantling of the EU's export subsidies. Yet, with the enactment of the Farm Bill in 2002, the U.S. itself started to increase the subsidization of its agriculture. A round that would enable Washington to calibrate its concessions carefully to its different agricultural sectors would not – at the end of the day – be a bad thing.

The Commission did not completely get what it wanted. With the Doha Development Agenda (DDA), no new “large” trade negotiation round was accepted, but rather a new, more encompassing and better integrated agenda than the built-in agenda of the Uruguay Round ever could have been. At the same time, the fact that some issues that the Commission wanted to have on the agenda remained in limbo started to become a bargaining chip that the Commission could use to reduce the demands of a number of emerging economies (especially India, Brazil, and South Africa) in the agricultural area. These so-called “Singapore Issues” include investment, competition, transparency in government procurement, and trade facilitation. After a failed WTO ministerial in Cancun (September 2003), the Commission and the EU in general accepted in July 2004 to largely drop the first three, but to maintain the last one. For some EU member states, doing so had not been too difficult since many of them had not understood the precise benefits of having competition (and to a certain extent investments) on the agenda of the WTO in the first place. In exchange, however, the Commission had to accept the commitment to eliminate the EU's agricultural export subsidies by a given deadline (it succeeded however to keep the exact date on the negotiating table).

Conclusion

Even if the Doha Development Agenda is an endeavor in which all WTO members are involved, the European Commission played a substantial role in its launching. The Commission's motives – to create a negotiating environment that helps to weaken resistance to agricultural liberalization inside the EU – continues to play a role in the way in which it (as well as some EU member states) approaches the current WTO negotiations. Even if the EU has a number of substantive objectives it wants to achieve – like in the services sector, antidumping, regional trade agreements (Art. XXIV, General Agreement on Tariffs and Trade), and on trade facilitation – agriculture remains a focal point of its strategy vis-à-vis the negotiations, and an important part of the explanation why the EU sticks to a wide agenda of the multilateral trade negotiations.

EU Trade Policy Towards Developing Countries: Is It Coherent with Development Goals?

By Jürgen Wiemann

The Unbalanced Heritage of the Uruguay Round

The current round of multilateral trade negotiations launched in Doha in November 2001 is extremely important not only for the future trade relations between developed and developing countries, but for the future of the World Trade Organization (WTO) itself. For the first time, developing countries have realized their veto power to reject proposals of the developed countries which would not serve their interests. At the interim WTO Ministerial Conference in Cancun in September 2003, they insisted that the developed countries meet their obligations from the Uruguay Round agreements, especially in the field of agriculture and textiles and clothing, before negotiations on new issues like multilateral rules on investment, on competition policy, and government procurement should begin.

The developing countries' demand for a breakthrough in the areas of their concern is especially justified when taking into account the imbalanced outcome of the Uruguay Round. There, they had accepted a number of new rules and agreements in which they had less interest than Organization for Economic Co-operation and Development (OECD) countries as a price for the promise, that OECD countries would phase out their protectionism against products for which developing countries have clear comparative advantages. After the Uruguay Round it became obvious however, that developing countries had not been given a fair deal. They had to apply new rules and agreements which proved to entail real costs of implementation without immediate economic benefits for them. On the other hand, the developed countries managed to postpone the opening of their markets for agricultural goods, and the phasing out of trade distorting export subsidies promised at the end of the Uruguay Round. And they claimed another ten years as transitional period for phasing out the Multifibre Arrangement that allowed managing textile and clothing imports from developing countries through quotas and self restraint measures by exporting countries.

Having realized the unbalanced outcome of the Uruguay Round, developing countries strongly opposed the launch of another round which would bring even more new rules and

agreements into the WTO. This was the principal reason for the failure of the WTO Ministerial Conference in Seattle in 1999.

The European Strategy: Expanding the Agenda

In order to win the consent of developing countries for launching a new round in Doha in November 2001, the EU declared to make it a ‘Development Round’ which would take account of developing countries’ interests and concerns, and correct the imbalances of the Uruguay Round. But the EU had no clear and coherent strategy of how to achieve this goal. On the one hand, the EU claims to be the driving force behind the Doha Development Agenda (DDA). On the other hand, the EU – together with the United States – had been the main culprit for the failure of the Cancun Ministerial Conference in September 2003. The EU had not been prepared to promise a definite date for the end of its agricultural export subsidies, and to withdraw its proposals for negotiations on new themes like competition policy, investment, government procurement and trade facilitation, the so called Singapore Issues. The European Commission saw its proposal for negotiations on the new issues as an instrument for creating an interest in the new round among European industries and services investing in developing countries. Their support for more transparent conditions for investors in developing countries was meant to counter-balance the resistance of European farm lobbies against effective trade liberalization and out-phasing of export subsidies. Moreover, to bring in new items could be used as a bargaining chip against too offensive demands from developing countries in the field of agriculture.

The proposal of the EU to extend the range of issues to be negotiated in the Doha Round provoked strong opposition from developing countries. They argued that they needed more time and technical assistance to implement the new agreements of the Uruguay Round – on intellectual property (TRIPS), on sanitary and phytosanitary measures (SPS) for food products, on customs valuation (streamlining the customs procedures) etc.. Moreover, many developing countries simply lack the capacity to cover the multitude of negotiating forums within the WTO, and they lack the analytical capacity to understand the implications of new rules and agreements to be negotiated.¹⁹ Even the former WTO Director-General Peter Sutherland questioned the EU’s proposal for negotiating on new Singapore Issues. Developing countries

¹⁹ Michalopoulos, Constantine (1999): The Developing Countries in the WTO. In: World Economy, 22/1999, p.117-143.

should take their own decisions on trade and investment policy, and not be given patronizing advice from developed countries what would be in their own interest.²⁰

The EU reacted to the concerted criticism against negotiations on new issues by proposing to give up the *single undertaking* approach of the Uruguay Round, meaning that all agreements have to be signed by all WTO member states at the end. New agreements on investment, competition and government procurement could be *plurilateral*, i.e. WTO member states and developing countries in particular would have the option not to sign one or all of the new agreements. But developing countries feared that what was presented as optional agreements at the beginning might in the end become obligatory for all WTO members.

In addition to this flexibility with the new issues, the EU offered free access to its markets for all exports (except arms) of the 48 least developed countries (LDCs). In principle, the Everything But Arms (EBA) Initiative is a welcome deepening of the preferences the EU offers to all developing countries under its General System of Preferences (GSP). Even with the EBA initiative, there will be some limitations to free access for LDCs' exports to the EU. Existing import quotas for bananas will be maintained until 2006, and the transitional period for rice and sugar will last until 2009. The rules of origin required by the EU to testify that imported goods have really been produced in one of the beneficiary countries are relatively strict and require excessive paperwork from exporters. And exporters from LDCs trying to benefit from the new preference are still facing a host of non-tariff barriers to EU markets like mandatory or voluntary product standards which require costly adjustments.

In general, unilateral preferences have limited economic value because they may be withdrawn as soon as a country would really test them with large export volumes. The relatively generous preferences given to the Africa-Caribbean-Pacific (ACP) countries associated with the EU since the 1970s have not prevented that the share of their exports in total EU imports declined over the decades. Despite the limited value of unilateral preferences, countries enjoying preferential treatment for their exports to the EU are unlikely to support general trade liberalization because that would erode their preference margins. Thus, the EU could count especially on ACP countries when it needed support for its opposition against radical proposals for trade liberalization. This defensive coalition will come to an end the more multilateral trade negotiations will oblige the EU to open its protectionist pockets.

²⁰ Sutherland, Peter (2001): Doha and the crisis in global trade. In: Financial Times, September 4, 2001, p.15.

EU Trade Policy: Coherence with Development Goals?

In principle, the EU is legally committed to make its trade policy coherent with development goals. The chapter on development cooperation of the Maastricht Treaty, which will become part of the EU constitution, commits the EU to support “*the smooth and gradual integration of the developing countries into the world economy*” (Art.177) and to take this into account when implementing policies which are likely to affect developing countries. However, the provision does not say that the EU would have to change trade policy immediately. There is no institutional mechanism for making trade policy coherent with development goals, and the impact of the coherence obligation on the Common Agricultural Policy (CAP) of the EU has been limited.

The farm lobby in some EU member states has been extremely effective so far in watering down all proposals for a fundamental reform of the Common Agricultural Policy which would be necessary for making the EU trade policy for agricultural products compatible with General Agreement on Tariffs and Trade (GATT) principles and WTO agreements. In contrast to the steady trade liberalization for manufactures resulting from past GATT rounds, trade protection for agricultural goods increased with the development of the CAP in the 1960s. Agriculture was virtually excluded from the multilateral trade negotiations before the Uruguay Round. Import protection is only one side of the trade impact of the CAP. With 90 per cent of all agricultural export subsidies by OECD countries, the EU is the major user of export subsidies to dispose its surplus production on world markets.²¹ The principal products receiving export subsidies are milk and milk products, sugar and beef meat.²² EU export subsidies for agricultural surpluses are the worst dumping in the world that hurts especially the farming sector and thus the poorest people of developing countries. Until 2004, the peace clause of the Uruguay Round Agreement on Agriculture (AoA) prevented developing countries which were hurt by subsidized exports to invoke the WTO’s dispute settlement procedure. In 2004, two WTO Dispute Settlement Panels have decided that the cotton subsidies of the U.S. (cotton farming in Southern Europe is also subsidized, however on a small scale) and the sugar subsidies of the EU must be phased out.

²¹ OECD (2001): The Uruguay Round Agreement on Agriculture: An Evaluation of its Implementation in OECD Countries. Paris, p.15.

²² WTO (2004): Trade Policy Review: European Communities. Report by the Secretariat, (WT/TPR/S/136). June 23, 2004, p.91.

The negative consequences of agricultural protectionism of OECD countries have been analyzed by economists and research institutes for many years. There is wide agreement on the major effects of the combination of protectionism and the dumping of surpluses on world markets through export subsidies: World market prices for agricultural goods are depressed, and the depressed price level limits export prospects of developing countries for agricultural goods. Subsidized exports can even undermine domestic sales of the same or competing agricultural products. Thus, development of the agricultural sector in developing countries is constrained, and this has especially negative implications for the poor who mainly depend on agricultural income. OECD calculations show that the total support industrialized countries give to their domestic farm sector reaches more than 300 billion U.S. Dollars per year. This is a multitude of what OECD donors give as development assistance to developing countries.

Reform of the Common Agricultural Policy and Multilateral Trade Negotiations

Since the end of the Uruguay Round, the European Commission has worked out one proposal after the other for a reform of the CAP in order to make it more compatible with WTO rules and agreements, but it has had to face strong resistance from the farm lobbies in some member states. The Commission and the northern member states including Germany were prepared for a fundamental overhaul not only in view of the WTO negotiations, but also in view of the eastern enlargement of the EU which would add to the already excessively high burden of an unreformed CAP for the EU and national budgets. France and southern European member states opposed the more radical reform plans so that the mandate of the European Council for agricultural negotiations in a new WTO round did not give the European Commission much room for maneuver.

The 1999 mandate for a new round of multilateral trade negotiations included that the EU was prepared to negotiate reductions of export subsidies and domestic subsidies without announcing a final date for the phasing out of export subsidies. It also contained the new formula of '*multifunctionality*', saying that agriculture is different from industry in having an impact on the environment and the way of living in rural areas which would in turn require financial support for the survival of farms. A reform of the CAP will thus not completely abandon these subsidies, only trade distortions through export subsidies and production subsidies have to be avoided. In view of the impact of agricultural production and trade on the environment, the EU proposed to include talks on trade and environment into the new round,

but developing countries saw this as just another way of introducing new trade barriers once the other barriers of the CAP would be removed as a result of WTO negotiations.

Outlook: Will the EU Make the Round a Development Round?

It was only after the breakdown of the Cancun conference in September 2003 that the EU finally accepted the need to phase out export subsidies completely (by a date to be still negotiated) in order to resume agricultural negotiations in the current WTO round. This was the central issue of the compromise negotiated at the end of July 2004 in the General Council of the WTO in Geneva. Its implementation will be the litmus test for the EU's commitment to multilateralism and development assistance through trade. Apart from agriculture, the overall trade policy of the EU is in conformity with GATT principles and WTO agreements. This is the positive evaluation presented by the recent WTO Trade Policy Review of the European Communities.²³ In general, EU markets have opened widely over the last decades. Compared to the protectionist beginnings in the 1960s, the EU is the largest market for developing countries' exports, and its eastern enlargement makes exports to an ever larger single market with unified rules and regulations easier for third countries. Tariffs for most manufactures have been brought down to very low levels, and there are only very few tariff peaks left, so that other trade obstacles like mandatory and voluntary product standards become more important. Even textile and clothing imports from developing countries will be liberalized when the quota regime under the Multifibre Arrangement comes to an end in 2005, and there is no indication that the EU will not fulfill its obligation to phase out existing quotas.

With the Geneva compromise of July 2004, prospects look more promising for the Doha Round to become a Development Round at the end. Much will depend on the EU and the capacities of the new Commission, especially the commissioners responsible for trade policy and for agriculture, to stay on the course towards progressive liberalization of agricultural trade and dismantling of export subsidies. By removing three of the four Singapore Issues from the agenda of the present round (relationship between trade and investment, interaction between trade and competition policy and transparency in government procurement), the EU has given way to the strong opposition of most developing countries against another extension of the WTO agenda before they see a real benefit from the past negotiations. The fourth of the Singapore Issues – trade facilitation – is less controversial, and developing countries should

²³ WTO (2004): Trade Policy Review: European Communities. Report by the Secretariat, (WT/TPR/S/136). June 23, 2004.

demand technical assistance for modernizing their customs offices and procedures as a sweetener to negotiations on this issue.

If the EU will continue to reform the CAP, to phase out export subsidies and to reduce the high tariffs on sensitive agricultural products, its trade policy will become more coherent with development goals and a successful outcome of the round should be possible. It would help developing countries' agricultural production and exports to recover from the present adverse effects of depressed world prices, and that would stimulate their economic development in general. More technical assistance will be needed to make food exports from developing countries comply with sanitary and phytosanitary standards in the EU. Technical assistance will also be needed to prepare less developed countries for adapting their trade policies and trade-related policies to new WTO rules and agreements, e.g. on trade facilitation. The EU should relax the administrative hurdles for duty-free access to the European markets under the EBA initiative and extend it from least developed countries to all vulnerable economies, especially the heavily indebted poor countries which are in need of foreign exchange through increased exports. Finally, the EU should negotiate with the more advanced developing countries on reciprocal tariff concessions. More open markets of middle income countries would not only be in their own interest, they could also become export markets for European producers of high quality, high value-added agricultural products, and new markets for LDCs' exports of cheap farm products.

II. Book Review

Szabo, Stephen F. (2004): Parting Ways, The Crisis in German-American Relations. Washington, D.C..

Reviewed by Hanns W. Maull

This is not only, as the cover text says, the “first comprehensive examination” of the German-American relationship through the Iraq crisis of 2002 to 2004, but also one which will remain the authoritative study on the subject and required reading for all interested in transatlantic relations for some time to come. The slim book (with about 150 pages text plus a useful chronology and about thirty pages of footnotes) offers a closely researched, detailed and – to this reader – truly remarkably balanced account of this tumultuous phase in transatlantic relations. Szabo (rightly, in my view) interprets the rupture between Berlin and Washington as a failure of political leadership on both sides, but also as the consequence of more profound, structural changes in transatlantic relations. The causes for an opening transatlantic divide from this point of view are changes in a) the broad context of international relations, notably the disappearance of the Soviet threat and the rise of America to a position of unchallengeable supremacy, but also b) in domestic politics and c) strategic culture on both sides of the Atlantic.

Those arguments are laid out with impressive mastery of detail, forceful analysis and a fine sense for the changes in societies and cultures on both sides (the subtle exploration of the generational and cultural changes from the Bonn to the Berlin Republic are to my mind particularly well-done). Briefly summarized, Szabo faults both Bush and Schröder for a failure in leadership: With Bush, the principal failure lay in his style of leadership, which disdained consensus-building and consultation, and real partnership; with Schröder, the failure lay in miscalculating the weight and leverage the Franco-German alliance could muster in Washington. Both contributed to personalizing the problems, and both failed to make their own positions sufficiently clear to avoid misunderstandings.

Yet beyond the role played by two very different political personalities who both, however, were repeatedly unwilling to put wider interests above their personal sense of grievance, Szabo sees deeper forces at work behind the schism over Iraq. One is what he calls the “growing values gap between Germans and Americans” (p.137), magnified by the media on both sides, which in turn affected mutual perceptions and images of the other. A second

structural force is the weakening, if not the disappearance, of shared strategic interests which in the past had been supplied powerfully by the Soviet threat. Its disappearance, argues Szabo, not only allowed domestic priorities to crowd out common foreign and security policy concerns, it also undermined an important check on American power. With this check gone, the abundance of American power has produced hubris. Szabo quotes James Madison's warning about the tyranny of majority faction, and applies his reasoning to American foreign policy. His conclusion radically diverges from those of neoconservative authors like Robert Kagan who in Szabo's view confuse abundance of power with wisdom. For Szabo, American hubris will undermine America's global leadership role.

For Germany, Szabo predicts an "agonizing reappraisal" of its foreign policy options. Again, this reader would agree – but he would part ways with Szabo's further argument that this could lead to a return of the old German problem in Europe. This German problem had, as Szabo rightly reminds us, an internal and an external dimension. The internal dimension related to the failure of democracy in Germany. Szabo considers this issue closed: Germany, he says, is a mature and stable democracy. The external dimension was the problem of how to anchor Germany, with its superior population and industrial power, in Europe. During much of the last century, it was America (and the Soviet Union) which had to provide the power needed to check Germany and integrate it into the European order; when America failed to do so, the results were catastrophic. Now, America may no longer be willing or able to play this role, the close economic ties notwithstanding: After all, they are, as Szabo says, no substitute for shared strategic interests. This leaves the European Union and raises the question "...whether the European construction can and will hold". If it fails to do so (and Szabo clearly hopes it will hold), then ... well, what? Here, Szabo's argument is not quite clear: By (approvingly?) quoting Gunther Hellmann's phrase of the "power politics resocialization of German foreign policy", he hints that Germany could once more become a problem through its superior power – the return of the Wilhelminian nightmare and a "realist" world of power politics to Europe (p.117).²⁴ Later, however, he seems to suggest that the new German problem could well be parochialism, economic and demographic stagnation, weakness and drift.

²⁴ Szabo spells out this view more clearly in an article in the German review *International Politics and Society*, as well as in an op-ed piece in the *Frankfurter Allgemeine Zeitung (FAZ)*. See Szabo, Stephen F. (2004): *Germany and the United States after Iraq: From Alliance to Alignment*. In: *Internationale Politik und Gesellschaft*, 1/2004, p.41-52, and Szabo, Stephen F. (2004a): *Return of the German Problem*. In: *FAZ*, February 3, 2004.

Yet a return of the old German problem seems utterly implausible. There simply is no way in which Germany could be both on its own, pursuing “national” interests through “national” strategies, and overwhelmingly powerful in Europe. It seems, however, unfortunately quite plausible to assume an entirely different problem with Germany: Germany as an obstacle on European energies and dynamism, as a veto player in European decision making, in short: as a problem because of its weakness, rather than its strength, which could leave an important void at the centre of Europe. In this context, one would also need to review the argument that the internal problem of the German problem has been resolved for good. Germany certainly has a mature and stable democratic system of governance – but is this system still effective? Can it provide the kind of foreign policy which would be needed to ensure European stability and prosperity?

Those, of course, are the downside scenarios. That Germany and America have drifted apart, that their strategic interest no longer coincide as perfectly as they did during the Cold War, does not preclude their effective cooperation: The agenda of possible issues areas, where both share compatible or identical interests, is long and comprises important problems, from weapons of mass destruction to upholding and developing the liberal international economic order. Whether Washington and Berlin will realize this potential, whether they “re-create or destroy a relationship that has proven to be a guarantor of European stability for half a century” will ultimately depend on political leaders on both sides of the Atlantic. They would do well to read this account of how they got where they now are in terms of the transatlantic relationship.

III. Online and Offline Resources Related to the Documents

This section contains the relevant documents which our authors refer to in their respective contributions. We do not claim to give a full compilation of all relevant sources on the issue at hand.

1. *On the United Kingdom*

Department for Environment Food and Rural Affairs [Agriculture Ministry], London.

<http://www.defra.gov.uk/>

Department for International Development (DFID), London.

<http://www.dfid.gov.uk/>

Department of Trade and Industry (DTI), London.

<http://www.dti.gov.uk/>

Department of Trade and Industry (2004): Trade and Investment White Paper: Making globalisation a force for good. London.

<http://www.dti.gov.uk/ewt/whitepaper.htm>

Department of Trade and Industry (2002): Third follow-up report to PIU Report 'Rights of Exchange: Social, Health, Environmental and Trade Objectives on the Global Stage'. London.

<http://www.dti.gov.uk/ewt/piureport.pdf>

Performance and Innovation Unit (2000): Rights of Exchange: Social, Health, Environmental and Trade Objectives on the Global Stage. London.

<http://www.number-10.gov.uk/su/trade/contents.htm>

Sutherland, Peter (2001): Doha and the crisis in global trade. In: Financial Times, September 4, 2001, p.15.

<http://www.unc.edu/~swblack/Sutherland.htm>

2. *On France*

Direction de la Coopération internationale et du Développement [General Administration for International Co-operation and Development – *only in French*]

<http://www.diplomatie.gouv.fr/cooperation/dgcid/index.html>

Ministère de l'Agriculture, de l'Alimentation, de la Pêche et de la Ruralité (MAAPR), Paris.

<http://www.agriculture.gouv.fr/spip/>

Ministry of the Economy, Finance and Industry/ Ministère de l'Économie, des Finances et de l'Industrie (MINEFI), Paris.

http://www.minefi.gouv.fr/minefi/minefi_ang/

The Directorate General for international co-operation and development/ La direction générale de la coopération internationale et du développement (DGCID), Paris.
<http://www.diplomatie.gouv.fr/mae/missions/gb/structure/cooperation.html>

3. *On Germany*

Federal Ministry for Economic Cooperation and Development/ Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung (BMZ), Berlin/Bonn.
<http://www.bmz.de/de/english.html>

Federal Ministry of Consumer Protection, Food and Agriculture/ Bundesministerium für Verbraucherschutz, Ernährung und Landwirtschaft (BMVEL), Berlin/Bonn.
<http://www.bml.de/index-00073B3867951EDBB60A6520C0A8E066.html>

Federal Ministry of Economics and Labour/ Bundesministerium für Wirtschaft und Arbeit (BMWA), Berlin/Bonn.
<http://www.bmwa.bund.de/Navigation/Service/english.html>

German Development Institute (GDI)/ Deutsches Institut für Entwicklungspolitik, Bonn.
http://www.die-gdi.de/die_homepage.nsf/FSStartE?OpenFrameset

4. *On the United States*

Department of Commerce (DOC), Washington, D.C..
<http://www.commerce.gov/>

Office of the United States Trade Representative, Washington, D.C..
<http://www.ustr.gov/index.html>

United States Agency for International Development (USAID), Washington, D.C..
<http://www.usaid.gov/>

United States Department of Agriculture (USDA), Washington, D.C..
<http://www.usda.gov/wps/portal/usdahome>

United States Department of Agriculture (2005): Farm Bill 2002 Information Homepage. Washington, D.C..
<http://www.usda.gov/farmbill/>

5. *EC/ EU*

Africa-Caribbean-Pacific-EU-trade (ACP-EU-trade), Maastricht.
<http://www.acp-eu-trade.org/>

European Commission (EC): External Trade, Brussels.
http://europa.eu.int/comm/trade/index_en.htm

European Commission (2003): Trade Issues: Generalised System of Preferences. Brussels.
<http://europa.eu.int/comm/trade/issues/global/gsp/gspguide.htm>

European Commission (1999): WTO: Preparation of the Third Ministerial Conference – Council Conclusions. 2209th Council Meeting. Luxembourg, October 26, 1999.
<http://trade-info.cec.eu.int/doclib/html/113633.htm>

European Union (2004): Common agricultural policy: beginnings to the present day. Brussels.
<http://europa.eu.int/scadplus/leg/en/lvb/l04000.htm>

European Union (2002): Consolidated Version of the Treaty Establishing the European Community. Brussels.
http://europa.eu.int/eur-lex/lex/en/treaties/dat/12002E/pdf/12002E_EN.pdf

European Union (2001): Everything But Arms (EBA) – Council Regulation (EC) No 416/2001 of February 28, 2001.
<http://trade-info.cec.eu.int/doclib/html/111459.htm>

6. Other International Organizations: WTO, OECD ...

International Labour Organization (ILO), Geneva.
<http://www.ilo.org/>

International Monetary Fund (IMF), Washington, DC.
<http://www.imf.org/>

Organisation for Economic Co-operation and Development (OECD), Paris.
<http://www.oecd.org/home/>

OECD (2001): The Uruguay Round Agreement on Agriculture: An Evaluation of its Implementation in OECD Countries. Paris, p.15.

OECD (1998): The Multilateral Agreement on Investment: The MAI Negotiating Text as of April 24, 1998. Paris.
<http://www.oecd.org/dataoecd/46/40/1895712.pdf>

The World Bank Group, Washington, DC.
<http://www.worldbank.org/>

United Nations Conference on Trade and Development (UNCTAD), Geneva.
<http://www.unctad.org/Templates/StartPage.asp?intItemID=2068>

World Trade Organization (WTO), Geneva.
<http://www.wto.org/index.htm>

WTO (2005): Negotiations, implementation and development: the Doha agenda. Geneva.
http://www.wto.org/english/tratop_e/dda_e/dda_e.htm

WTO (2005): Regional Trade Agreement - GATT: Article XXIV, 1994. Geneva.
http://www.wto.org/english/tratop_e/region_e/regatt_e.htm

WTO (2005): The Agriculture Agreement: new rules and commitments, 1995-2005. Geneva.
http://www.wto.org/english/thewto_e/whatis_e/tif_e/agrm3_e.htm

WTO (2004): Doha Work Programme: Decision Adopted by the General Council on August 1, 2004.
http://www.wto.org/english/tratop_e/dda_e/ddadraft_31jul04_e.pdf

WTO (2004): Trade Policy Review: European Communities. Report by the Secretariat, (WT/TPR/S/136). June 23, 2004, p.91.

WTO (2002): Agreement on Subsidies and Countervailing Measures. Geneva.
http://www.wto.org/english/docs_e/legal_e/24-scm.pdf

WTO (2002): Movement of Natural Persons (Mode 4) Under the GATS. Geneva.
http://www.wto.org/english/tratop_e/serv_e/symp_apr_02_carzaniga_e.doc

7. Non-Governmental Organizations (NGOs)

Association pour une taxation des transactions financières pour l'aide aux citoyens et citoyennes (ATTAC).
<http://www.attac.org/indexfla.htm>

Consumer Unity & Trust Society (2001): The 7-Up Project. Jaipur (India).
<http://cuts-international.org/7-up%20project.htm>

European Citizen Action Service: EU's relationship with NGOs and the issue of "participatory democracy". Brussels.
<http://www.ecas.org/product/91/default.aspx?id=244>

International Management Institute for Executive Development and Education (IMD), Lausanne.
<http://www01.imd.ch/>

Médecins Sans Frontières (MSF), Geneva.
<http://www.msf.org/>

Oxfam International, Oxford.
<http://www.oxfam.org/>

Oxfam (2004): Dumping on the world: How EU sugar policies hurt poor countries. London.
http://www.oxfam.org.uk/what_we_do/issues/trade/bp61_sugar_dumping.htm

The Evian Group, Lausanne.
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