

# Trade Politics Ain't What It Used to Be: The European Union in the Doha Round\*

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## Abstract

The European Union is a key player in the Doha Development Round of multilateral trade negotiations. This article argues that its negotiating position reflects distinctive patterns of politics underlying three aspects of trade policy – traditional trade policy, commercial policy and social trade policy – characterized by different sets of actors and political dynamics. Although there is significant variation in the substance of the EU's position within each aspect of trade policy, their distinctive patterns of politics help to explain why the EU's negotiating position is most liberal in traditional trade policy and least in social trade policy.

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## Introduction

The European Union has emerged as a key and distinctive player in the Doha Development Round of multilateral trade negotiations. Since the end of the Uruguay Round of negotiations, which established the World Trade Organization (WTO), it has been the most persistent and vigorous advocate of a broad trade agenda, going beyond the 'built-in agenda' on agriculture and services, to include non-agricultural products, competition policy, investment, government procurement and trade facilitation (the 'Singapore issues'),

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as well as trade and the environment and trade and core labour standards. Moreover, while the EU has adopted a liberal position and deployed liberal rhetoric with respect to some aspects of the agenda, it has adopted much more protective and protectionist positions with respect to others. This variation is more profound than exceptions from general principles for specific sectors. It is this variation in the EU's preferences that this article seeks to explain.

This article argues that since the mid-1980s and particularly since the end of the Uruguay Round trade negotiations have addressed three different aspects of trade policy: 1) traditional trade policy, focusing on at-the-border measures; 2) commercial policy, addressing competition-focused behind-the-border measures; and 3) social trade policy, dealing with market-failure-focused behind-the-border measures. Politics in each aspect is characterized by different degrees of Member State involvement, distributions of anticipated costs and benefits from liberalization and ideational contexts and thus also engages different actors. Although there is significant variation in the substance of the EU's position within each aspect of trade policy, the distinctive underlying patterns of politics help to explain why the EU's negotiating position is most liberal in traditional trade policy and least in social trade policy. This article, therefore, also illuminates the contrasting perceptions of the EU as liberal (Hanson, 1998), 'nominally liberal' (Winters, 2001), protectionist (Messerlin, 2001) or as an 'incidental fortress' (Young, 2004).

The article begins by developing the typology of three aspects of trade policy and exploring the patterns of trade politics associated with them. It then examines how these different political patterns are reflected in the EU's approach to the Doha Round. It concludes by drawing out the implications for the characterization of EU trade policy and for the analysis of trade policy in general.

## **I. Three Aspects of Trade Policy**

Traditionally trade policy addressed only measures that discriminate explicitly against foreign goods, such as tariffs and quantitative restrictions (at-the-border measures). Beginning in the late 1970s, but particularly since the mid-1980s, multilateral trade negotiations have sought to tackle the adverse trade effects of domestic rules (behind-the-border measures); the 'deep' trade agenda (Young and Peterson, 2006, p. 796). This greater emphasis on the deep trade agenda reflected pressure from firms to address regulatory barriers to trade in goods, which were gaining in importance as industrial tariffs fell

Figure 1: Typology of Trade Policies in Multilateral Trade Negotiations

		Location of Measure	
		At-the-border	Behind-the-border
Focus of measure	Competition	<b>Traditional trade policy</b> Tariffs Quantitative restrictions Trade facilitation Agriculture (export subsidies, levies)	<b>Commercial policy</b> Services Intellectual property rights Subsidies Trade-related investment measures Investment Competition policy Government procurement Agriculture (subsidies)
	Market failure	[discriminatory import bans]	<b>Social trade policy</b> Sanitary and phytosanitary rules Technical barriers to trade Environment Core labour standards Agriculture (multifunctionality)

Source: Author’s own data.

and to foreign direct investment (FDI) and trade in services, which had grown significantly since the mid-1980s and for which regulations are the principal impediment to market access (Young and Peterson, 2006). Behind-the-border measures fall into two broad categories: those concerned with regulating competition (sometimes called economic regulation) and those that seek to address market-failures (sometimes called social regulation). Thus there are arguably three aspects of trade policy reflecting the interaction of both the location of the trade barrier – at-the-border or behind-the-border – and the primary focus of the measure in question – whether it is to regulate competition or address market failures (see Figure 1). All of the major issues in the Uruguay and Doha Rounds can be classified into one of these aspects of trade policy, although some spill across neat boundaries.

Traditional trade policy has been a focus of multilateral trade talks from the origins of the General Agreement on Tariffs and Trade (GATT). It occurs at the border in that only foreign goods are affected and its focus is regulating competition from foreign firms. The traditional trade agenda has been

expanded slightly in the Doha Round with talks on trade facilitation, that is, simplifying and clarifying customs procedures, import licensing requirements and so on.

Commercial policy<sup>1</sup> is also concerned with regulating competition, but within the domestic market. Rules normally apply to all firms and products. Although aspects of commercial policy, notably subsidies, first appeared in the Tokyo Round, it rose to prominence in the Uruguay Round, particularly in the form of the General Agreement on Trade in Services (GATS) and the Trade Related Intellectual Property Rights (TRIPs) Agreement. Although features of the EU's common agricultural policy (CAP) are examples of all three types of trade policy – levies and export subsidies are examples of traditional trade policy, while the 'multifunctionality' of agriculture addresses market failures, such providing a social welfare system for farmers (Rieger, 2005) and sustaining rural areas (Commission, 2004, p. 30) – its core is price supports, which are a form of subsidy and thus it is primarily an example of commercial policy. Most of the Singapore issues – investment, competition policy and government procurement – also fall into this category.

Social trade policy<sup>2</sup> also began to emerge during the Tokyo Round, in the form of the Technical Barriers to Trade (TBT) Agreement and developed during the Uruguay Round, notably in the Sanitary and Phytosanitary (SPS) Agreement, disciplining the regulation of animal, plant and food safety. Social trade policy also tackles behind-the-border measures, but these measures are not aimed primarily at restricting competition, but at addressing market failures, such as the negative externalities of pollution or the information asymmetries undermining consumer safety. Intentionally or not, such measures can impede trade, prompting international efforts to address them. Since the end of the Uruguay Round, a second generation of social trade policies has emerged, pushed by non-governmental organizations (NGOs) and trade unions. Here the concern is not disciplining the adverse effects of domestic social regulations on trade, but using trade as a means to export social regulation, including core labour standards and minimum environmental standards (Cable, 1996).

The fourth cell – at-the-border measures addressing market failure – does not constitute a distinctive type of policy within the context of multilateral trade negotiations. Bans on foreign products that pose the same risks as domestic products, as arguably was the case with continental European bans on British beef during the BSE crisis (Messerlin, 2001), are examples of such

<sup>1</sup> This term is borrowed from Messerlin (2001, p. 133), who uses it to refer to all behind-the-border measures.

<sup>2</sup> This term reflects the terminology of 'social' regulation. The Commission (2004, p. 37) uses the term 'social questions' to refer to many of these issues.

measures, but such discriminatory practices are governed by agreements that primarily address domestic regulation and as such fall under social trade policy.

The typology of aspects of trade policy is analytically significant, because each type of policy has its own associated pattern of politics. These are developed in the next section.

## **II. Three Patterns of Trade Politics**

The type of policy affects the pattern of politics because different types of policy imply different distributions of anticipated costs and benefits, which in turn affect the mobilization of interests (Lowi, 1964; Wilson, 1980). Although which actors engage in influencing trade policy is an important part of the distinctiveness of the patterns of politics associated with the three aspects of trade policy, there are other important differences as well. Not only do the actors differ, but so too does how they interact, prompted in part by differences in the complexity of the issues and the associated uncertainty about the implications of prospective outcomes (Woll and Artigas, 2007). Moreover, the different aspects of trade policy take place within different ideational contexts, sometimes differences are over what end is desirable and sometimes over how best to realize accepted ends. While these features of trade politics are common to all polities, within the EU the character of the trade policy also influences the extent of Member State involvement. Thus within the EU the different patterns of trade politics reflect very different constellations of actors within distinctive ideational contexts. The following section describes the different patterns of politics associated with each aspect of trade policy, which are compared in Table 1.

### *Traditional Trade Politics*

In the 1957 Treaty of Rome, the Member States delegated (traditional) trade policy to the EU and gave the lead in negotiations to the European Commission, supported and supervised by a special committee of Member State trade officials. Thus, in the EU, as elsewhere, traditional trade policy-making is the domain of a few specialist government officials (Bayne and Woolcock, 2003; Dür and De Bièvre, 2007; Hocking, 2004).

Further, relatively few economic interests, firms and to a lesser extent trade unions, engage in European traditional trade politics (Bayne and Woolcock, 2003; Dür and De Bièvre, 2007; Hocking, 2004), because liberalization has concentrated costs for only import-competing producers, and benefits, in reciprocal trade negotiations, for only export-oriented

Table 1: Three Patterns of Trade Politics

	<i>Traditional Trade Politics</i>	<i>Commercial Politics</i>	<i>Social Trade Politics</i>
EU/Member State balance	EU dominance	Extensive Member State involvement	Extensive Member State involvement
Distribution of costs and benefits of liberalization	Concentrated costs and benefits, diffuse benefits	Concentrated costs and benefits, diffuse benefits (significant uncertainty)	Concentrated costs and benefits, diffuse costs and benefits
Types of principle actors	Trade officials Firms Trade unions	Trade officials Non-trade officials Firms Politicians	Trade officials Non-trade officials Firms Politicians NGOs
Prevailing ideational context	How to increase economic welfare? [How to promote development?]	How to increase economic welfare?	Whether to increase economic welfare at the expense of realizing post-material values?

Source: Author's own data.

producers, which seek greater access to foreign markets. For other members of society, liberalization has diffuse and opaque benefits. Consequently, only export-oriented and import-competing firms have strong enough incentives to mobilize and engage in trade politics (see Frieden and Martin, 2002; Milner, 2002). Thus in reciprocal trade negotiations, trade politics is characterized by competition between competing producer groups (Lowi, 1964, p. 701; Wilson, 1980).

Within traditional trade politics, all governments are considered to want to maximize economic welfare. Although there is now widespread acceptance that free trade is the best way to generate wealth, there are different levels of concern about and approaches to addressing the distributional implications of free trade, with some governments favouring redistributive policies and others protectionism (Irwin, 1996, pp. 218–19). These differences, therefore, largely reflect different ideas about how best to realize objectives.

As I will demonstrate below, the EU's traditional trade policy in the context of multilateral negotiations has become more liberal since the mid-1980s. This reflects the reinforcing influences of changing firm preferences in favour of free trade and greater acceptance among national and European officials and politicians of the benefits of free trade. Moreover, particularly

since 2000, a normative concern about global inequality has provided an additional justification for trade liberalization within the EU.

### *Commercial Politics*

The pattern of politics in commercial policy is in many ways similar to that in traditional trade politics, but with crucial differences. The distribution of anticipated costs and benefits and the ideational context are broadly the same. Significantly, however, because the issues involved are much more complex, firms may face greater uncertainty about whether liberalization or protectionism best serves their interests (Woll, 2005). This complexity partly stems from the fact that the issue confronting firms and negotiators is not just whether to liberalize, but how (Woll and Artigas, 2007, p. 125), as liberalization in commercial policy may involve developing international rules to govern national rules, not just reducing specific barriers. Thus, while commercial politics is characterized by interest group competition, firms engage with governments differently than in traditional trade policy – they work more closely with government and expertise becomes the primary currency of influence (Woll and Artigas, 2007, p. 126).

In the context of the EU a major difference between commercial policy and trade policy is the much greater prominence of the governments of the Member States. In part this reflects the incomplete allocation of authority from the Member States to the EU for aspects of commercial policy (Young, 2002), but it also reflects the continued importance of national rules governing many of these policy areas – not least services, investment and intellectual property rights, but even in such supranational policies as the CAP (Rieger, 2005) and competition policy (Wilks, 2005) – and the centrality of Member State government activity in others – notably subsidies and public procurement.

Further, because commercial policy addresses behind-the-border measures it often engages a much wider range of actors, not least non-trade ministries both at the EU level and within the Member States (Winters, 2001; Woolcock, 2005). This is particularly evident in transport services and agriculture where the Commission's sectoral Directorates General conduct international negotiations. Moreover, to the extent that competitive conditions are governed by legislation, implementing a liberalizing international agreement would require parliaments (Member State and/or European) to adopt new rules. Thus commercial policy engages politicians, as well as non-trade ministries, more than traditional trade policy does.

The number and diversity of actors involved in commercial policy, particularly the engagement of multiple levels of governance, complicate

decision-making. This makes moving away from the status quo difficult. As I shall illustrate below, this has not presented a problem for EU policy-making with respect to most aspects of commercial policy in the Doha Round because it has been seeking to shift the international regime closer to its approach to these issues. The huge exception is the CAP, where painfully agreed internal reforms set the limits on the EU's negotiating position.

### *Social Trade Politics*

As social trade policy also addresses behind-the-border issues, the pattern of politics has much in common with commercial policy, but again with significant differences. The two crucial differences concern the framing of the ideational context and the distribution of anticipated costs and benefits. Because social trade policies aim to address the intersection between international trade and national rules addressing market failures, the ideational context is more complex and contested than with respect to traditional trade policy or commercial policy. The issue is not simply the best means to increase economic welfare, but whether doing so is desirable if it comes at the expense of other, valued objectives, such as protecting the environment or ensuring consumer safety. Such tensions were highlighted by a series of high-profile trade disputes in the early years of the WTO – particularly *Shrimp-Turtle* (1998)<sup>3</sup> and *Hormone-Treated Beef* (1998)<sup>4</sup> – that found specific domestic social regulations incompatible with international trade rules (Baldwin, 2006; Williams, 2005).

These trade disputes illustrated that the distribution of costs and benefits in social trade policy is profoundly different from that in traditional trade policy (Evans, 2003). Unlike in traditional trade policy, liberalization in social trade policy, which in the WTO context has taken the form of disciplines on national rules, in addition to causing adjustment costs for protected firms, potentially imposes costs in terms of reduced environmental protection or consumer safety for the general population. Although the general population also benefits from cheaper imports, the costs are arguably more transparent than the benefits and, particularly in affluent societies, may well be weighted more heavily. This is reflected in large pluralities, if not majorities, in each of the EU's pre-2004 enlargement Member States being concerned about the implications of globalization on the environment (Eurostat, 2003).

<sup>3</sup> DS58 and DS61 United States – Import Prohibition of Certain Shrimp and Shrimp Products. Complaint by India, Malaysia, Pakistan and Thailand (8 October 1996) and the Philippines (25 October 1996).

<sup>4</sup> DS26 and DS48 European Communities – Measures Concerning Meat and Meat Products (Hormones). Complaints by the US (26 January 1996) and Canada (28 June 1996).



The potential implications of trade liberalization for domestic social regulation have spurred the engagement of legislators; non-trade ministries, especially environment ministries; and consumer and environmental NGOs in EU trade politics (Bayne and Woolcock, 2003; Dür and De Bièvre, 2007; Williams, 2005). In particular, the combination of diffuse benefits as well as costs, gives social trade politics a 'majoritarian' character (Wilson, 1980, p. 367), making them amenable to political party competition. Politicians may be inclined to engage with social trade policy because public concerns about the environment and consumer safety have become more politically salient as class cleavages have eroded and as such post-material concerns have more bearing on party competition in western Europe (Dalton and Wattenberg, 2000; Inglehart, 1988; Meunier, 2004).

Further, the engagement of more diverse actors has occurred at both European and Member State levels. Despite the extensive development of European environmental and consumer regulation in the context of the single European market, there remain significant differences in national rules (see USTR, 2007). The Member State governments, therefore, remain key players in regulation and its implications for trade.

Once engaged in trade politics, many of these actors, particularly NGOs, but also some sponsoring ministries, began to see trade policy as a tool for realizing their policy objectives (Cable, 1996; Young and Peterson, 2006). In particular, trade may be seen as a tool for encouraging desirable or punishing undesirable behaviour through preferences or sanctions, respectively. Thus the engagement of new trade policy actors further broadened the scope of social trade policy.

Social trade politics – because of the contested ideational context and the engagement of more actors for whom trade liberalization is not necessarily desirable – is therefore more likely to produce protectionist positions than traditional trade politics. Thus a core part of the EU's social trade policy agenda has focused on trying to safeguard European rules from challenges under international trade rules. Another aspect of the EU's agenda, most clearly in the form of core labour standards, has sought to use trade policy as a means of inducing others to make their policies more like those of the EU and its Member States.

### **III. Three Aspects of the EU's Doha Agenda**

The preceding discussion has illustrated the significant differences in the degree of Member State involvement, the distribution of anticipated costs and benefits, the ideational context and the range of actors engaged in the different

aspects of trade policy (see Table 1). The rest of this section explores how the changing nature of trade politics within and across these patterns is evident in the EU's preferences in the Doha Round.

### *Traditional Trade Policy: Increasing Support for Liberalization*

The EU's negotiating position with respect to traditional trade policy in the Doha Round is aggressive, with a heavy emphasis on increasing market access in non-agricultural products, particularly targeting tariff peaks and strong advocacy of the trade facilitation agenda, rather than a preoccupation with protecting European industrial sectors (Council of Ministers, 1999; Woolcock, 2005; Young, 2007). Although there is a debate in the international political economy literature about whether firms' interests or policy-makers' views of the benefits of free trade are more important, in the context of the EU since the mid-1990s both firms' interests and policy-makers' acceptance of liberal economic ideas seem to have been changing in complementary ways in favour of greater liberalization.

### Increasing Internationalization and EU Firms' Preferences for Liberalization

Over the past 20 years or so the EU's industrial firms have become more internationally oriented and more supportive of liberalization (Dür, forthcoming; van den Hoven, 2006; Woolcock, 2005; Interviews, former senior Commission trade official, London and German trade official, Brussels, March 2005). EU manufacturing firms are considered to be well placed to compete in 'quality' products, even if there are other competitive challenges (Gaulier *et al.*, 2006). During 1995–2003 EU firms – including those from Germany, Italy, Spain and the UK – increased their overall shares of global markets, with growth in medium- and high-quality products more than compensating for losses in low-quality products. Consequently, greater competition holds little to fear for EU manufacturers, while greater foreign market access promises benefits.

Moreover, the EU is also the world's leading home to and host of FDI. In 2005 it accounted for 44 per cent of the inward stock of global FDI and 51 per cent of the outward stock (UNCTAD, 2006). Given the importance of intra-firm trade there is thus a significant number of firms – both EU headquartered and EU based – that have a strong interest in ready access to the EU market for their goods produced beyond its borders.

These changes are evident even in textiles, one of the EU's traditionally most protectionist and protected sectors (Heron, 2007; Johnson, 1998; Messerlin, 2001). Growth in 'outward processing trade' since the mid-1980s

has meant that EU textiles firms have outsourced the most labour intensive aspects of production while retaining the higher-value activities in the home market. This has both made European firms more competitive and meant that EU protection is an obstacle rather than a boon (Heron, 2007). Although the industry has not entirely abandoned protectionism – as the 2005 trade dispute over Chinese textile imports illustrates – it does seem to be shifting position, emphasizing foreign market access and bemoaning the stalling of the Doha Round, albeit while cautioning against being ‘overgenerous’ in seeking an agreement (Lakin, 2006, p. 4). Thus the textile industry seems to be becoming less inclined to demand protectionism, at least beyond trade defence instruments.

The preceding discussion suggests both that the number of industrial firms’ demanding protection is decreasing and the number that value greater market access abroad and will support liberalization at home in order to secure it is increasing. Thus the balance of industrial economic interests in the EU has shifted in favour of liberalization. European industry has not, however, been terribly consistent or vocal in advocating liberalization during the Doha Round (Commission, 2004, p. 27; van den Hoven, 2006). Economic interests, however, have not been the only impetus to the EU pursuing a more liberal trade policy.

### Growing Acceptance of the Benefits of Free Trade

The greater export-orientation of EU firms may have created a more permissive environment in which the growing acceptance of liberal economic ideas can have a more telling impact on the character of EU trade policy (Hanson, 1999; van den Hoven, 2006). According to a former British trade official, by the end of the 1990s the EU’s governments had ‘mostly accept[ed] the economic case for open markets as the most efficient means of generating wealth, efficiency and consumer satisfaction’ (Johnson, 1998).

Moreover, it would appear that the Commission’s Directorate General for Trade (DG Trade), which leads most trade negotiations on behalf of the EU, has embraced liberal economic ideas. Guy de Jonquieres (1996, p. 5) noted a ‘shift’ in the Commission towards a greater commitment to trade liberalization in the mid-1990s. Trade officials from several generally liberal Member State governments concur with this assessment (Ahnliid, 2005; Johnson, 1998; Interview, German trade official, Brussels, March 2005). The annex to the Commission’s (2006) communication ‘Global Europe Competing in the World’, for example, states ‘Openness to trade is essential for growth and jobs’ (p. 6) and ‘We need to promote our economic interests by activism abroad not protectionism at home’ (p. 7). Throughout the Doha

Round DG Trade has consistently and vocally articulated such a 'Ricardian' understanding of competitiveness (see Hay, 2007).

Although other directorates general have not necessarily embraced liberal economic ideas (see Frennhoff Larsén, this volume; Interview, German trade official, Brussels, March 2005), the Commission made successive concessions during the Doha Round, particularly on the traditional trade policy aspects of agriculture – such as accepting the G20's formula for addressing agricultural tariffs and the elimination of export subsidies – despite public objections from numerous Member State governments, notably that of France (Young, 2007). These concessions do not reflect the preferences of European farmers, but are seen as necessary by the Commission for realizing its other objectives in the Round.

### Development as a Trade Issue: Reinforcing Liberalization

Arguably the biggest change to traditional trade politics during the Doha Round is the new, non-traditional emphasis on the development dimension of trade, which has tended to reinforce the shift towards greater liberalization within the EU. Development was pushed to the centre of the agenda at the 1999 Seattle WTO Ministerial when, for the first time, developing country dissatisfaction with the multilateral trading system was fully articulated (Baldwin, 2006). This had a 'major impact' on EU trade politics (Baldwin, 2006, p. 939).

Greater attention to the trade implications of development coincided with a heightening of concern about development and global poverty in the EU and elsewhere, as reflected in the United Nations General Assembly's adoption of the Millennium Development Goals in 2000 and the commitments the EU and its Member States undertook in the 2002 Monterrey Conference (Carbone, forthcoming). In response, the EU's Member States collectively increased their development assistance as a share of gross national income by a third between 2000 and 2006, with Austria, Ireland, the UK, France and Italy increasing aid by more than 50 per cent.<sup>5</sup> Thus the increased concern with global poverty within the EU translated into real and costly policy change.

NGOs, such as Oxfam, and social movements, such as Make Poverty History, were crucial in raising global poverty as an issue and pushing the development aspects of trade (Baldwin, 2006; van den Hoven, 2006), but political parties and the governments they formed have also played an important role. Pro-development policies may chime with the values of social democratic parties or may be a rational response by politicians to the preferences of constituents, who are swayed by post-material values and

<sup>5</sup> Author's calculations based on data extracted from OECD on 30 April 2007 (<http://www.oecd.org/doc/stats/idsonline>).

galvanized by NGOs and social movements. The Red/Green coalition government in Germany, for example, championed development (Falke, 2005a). In the UK, the New Labour government mobilized the latent power of active pro-development and consumer groups in support of trade liberalization (Holmes, 2005). The rise of development as an issue thus affected the trade politics of at least some of the Member States, tending to reinforce the pro-liberalization tendencies of some governments (Interview, senior Commission trade official, Brussels, March 2005). Further, national and Commission trade officials contend that EU governments find it harder to resist liberalization if it is presented as fostering development (Ahnliid, 2005; Baldwin, 2006).

The EU's 2001 'Everything But Arms' (EBA) initiative – which entailed unilaterally removing all trade restrictions on all products but arms and munitions with delayed liberalization for bananas (January 2006), sugar (July 2009) and rice (September 2009) from the world's poorest 49 countries – illustrates this point (Baldwin, 2006). The contention here is not that the EBA was universally supported within the EU (it was not) or that it was not intended to have benefits for the EU, most notably in trying to build support among developing countries for the launch of the multilateral trade round, although by benefiting the least developed countries the initiative arguably disadvantaged more influential developing countries (see Orbie, 2007). Rather the contention is that heightened concern for development within the EU helped to push forward unilateral liberalization.

As a consequence of changing firm interests and the increasing acceptance of liberal economic ideas among the governments of the Member States and particularly within the Commission and the reinforcing framing of trade as a development issue, the preferences underlying the EU's traditional trade policy have become more liberal. This shift in EU trade preferences with respect to traditional trade policy, however, has coincided with the extensive broadening of the trade policy agenda to address behind-the-border measures – in commercial policy and social trade policy – where the EU's preferences are much more complex.

### *Commercial Policy: The Primacy of Internal Policies*

Since the end of the Uruguay Round, the EU has been the most vigorous advocate of the deep trade agenda (Ahnliid, 2005; Young and Peterson, 2006), which embraces both the commercial policy and social trade policy aspects of trade policy. The EU's preferences have been particularly crucial with respect to the three main dimensions of commercial policy in the Doha Round: trade in services, the Singapore issues and agriculture. Although the EU's

negotiating positions on these three issue areas have been dramatically different, they strongly reflect the EU's relevant internal regime. Where the EU's regime is more liberal or more developed than the multilateral regime – most services and the Singapore issues – non-traditional trade actors have not resisted an aggressive approach pushed by firms or the Commission. Where liberalization challenges the EU's regime – agriculture and some service sectors – however, the new trade actors have complicated trade politics and made the EU's position protectionist.

### Trade in Services: Ambition within Limits

As the world's leading exporter and importer of services (WTO, 2007), the EU has pressed strongly for more market opening in almost all service sectors, seeking, at the very least, for governments to bind all unilateral liberalization that had taken place since the end of the Uruguay Round and wanting further liberalization, particularly in professional services, energy-related services and e-commerce. The EU does, however, also have some highly sensitive sectors – audio-visual services, education and health services – where it is not willing to make commitments (Commission, 2004, pp. 37–8).

This stance maps well onto the existing state of services liberalization within the EU. Although there is still significant room for increasing competition in European services markets (Messerlin, 2001), they are, with some notable exceptions, quite open to foreign service providers, particularly compared to much of the world (Winters, 2001; WTO, 1995). By contrast, the EU refused to make offers with respect to those service sectors where internal liberalization has been extremely limited, which are also those that were explicitly designated as falling within the authority of both the EU and the Member States in the 2001 Treaty of Nice (see Dür and Zimmermann, this volume). These are sectors in which government involvement is seen as serving functions other than regulating competition – such as maintaining cultural diversity (audiovisual and music services) or providing public service (education and healthcare). Consequently, liberalizing these service sectors has the characteristics of social trade politics, but it is discussed here with the bulk of services. Thus, in addition to protectionist lobbying by service providers, there was also extensive and vigorous opposition from a variety of non-trade ministries and, to a lesser extent, NGOs to the possibility that the EU would make commitments in these areas, which the Commission (2004, p. 37) insists it never intended to do.

This discussion illustrates the complexity of commercial politics. It was only where the EU's regime was more progressive than the international regime, which was in the vast majority of service sectors and thus where the

negotiations would not require internal liberalization, that the EU took an ambitious stance. Elsewhere the EU refused to countenance liberalization.

### The Singapore Issues: Managing Globalization?

The EU was by far the most vigorous advocate for the inclusion of the Singapore issues in what became the Doha Round. Three of these issues – competition policy, investment and government procurement – are clear examples of commercial policy, in which the questions of whether to liberalize and how to liberalize are inextricably linked. The Commission, as a central part of its efforts to promote ‘managed globalization’ (see Meunier, this volume), advocated the adoption of new multilateral rules to govern states’ behaviour in these policy areas. As with other aspects of the EU’s offensive commercial policy agenda, these positions implied changes for others rather than for the EU.

The features of commercial politics are perhaps clearest with respect to competition policy, where the EU advocated developing a ‘basic framework of binding core principles and rules on domestic competition law and policy and its enforcement’ (Council of Ministers, 1999, p. 5). In this DG Trade was prompted by its understanding of the EU’s use of competition policy to combat residual trade barriers within the EU (Damro, 2006; Woolcock, 2005; Young *et al.*, 2000), despite the absence of strong support from European firms (Commission, 2004; Woolcock, 2005, p. 395). The key non-trade ‘ministry’, the Commission’s Directorate General for Competition, however, did not support the negotiation of competition policy in the WTO, because it was concerned that this might increase the likelihood of political intervention in its activities (Damro, 2006), even though a WTO agreement would not have affected the EU’s existing regulatory framework.

Although there was some support for an investment agreement from some medium-sized EU firms, the larger European multinationals did not consider a WTO agreement on investment necessary (Woolcock, 2005, p. 395). A number of Member State governments, however, have strong preferences regarding an investment agreement, reflecting both their centrality to investment policy in the EU – it is a *de facto* shared responsibility – and underlying ideological differences. The British government and others supported an agreement that would discipline governments, the French and others wanted to discipline firms (Young *et al.*, 2000). The EU’s negotiating position combined the two preferences, calling for the negotiation of a framework that would both create a stable and predictable climate for investment and ‘take into account’ concerns about investors’ responsibilities (Council of Ministers, 1999, p. 5).



Multilateral rules on government procurement much more clearly promised potential benefits to European firms (Woolcock, 2005). The EU's position, however, was relatively modest, seeking only to increase the transparency of government procurement, which would deliver only relatively small benefits (Messerlin, 2001).

These three Singapore issues engendered little strong support and provoked some limited antipathy within the EU, but the negotiations did not have significant implications for the EU's or its Member States' rules. Developing country governments, particularly India's, were deeply hostile to the Singapore issues, however, and the EU abandoned its demands for negotiations on these three issues after the failed Cancun WTO Ministerial in 2003 in order to keep the rest of the negotiations going (Young, 2007).

### Agriculture: On the Defensive

Another major bone of contention between the EU and developing countries, as well as others, has been agriculture. In contrast to the Singapore issues, however, the problem is not that the EU is demanding too much, but that it is offering too little. Agriculture is the issue on which the EU is most on the defensive; it is the EU policy for which the Doha Round has the most serious implications. Consequently, it is with respect to agriculture that the full complexity of commercial politics is most evident.

As noted earlier, the trade implications of the CAP are side-effects (albeit intentional ones) of internal policy objectives. Echoing the logic of commercial politics, the EU's position throughout the Doha Round has been that the existing internal policy determines what it will accept in the negotiations; there will be no concessions that are not compatible with the CAP (Commission, 2004; Council, 2005). This line reflected the influence of the famously protectionist European farmers and their sponsoring ministries. Crucially, however, the CAP was reformed during the Doha Round to further replace price supports with direct payments to farmers. This reform, although influenced by trade policy pressures, also reflected budgetary considerations and the political steer given by the European Council (Dinan and Camhis, 2004; Rieger, 2005; Swinbank and Daugbjerg, 2006; Woolcock, 2005). This reform made possible the Commission's concessions on the traditional trade policy aspects of the CAP mentioned earlier. Thus the EU's position in the Doha Round is dictated by a policy decision involving agriculture and finance ministers and influenced by the heads of state and government.

The preceding discussion has highlighted the extensive engagement of non-trade ministries in commercial trade policy-making. This engagement, at least where the EU is expected to shift away from its existing regimes, has



tended to reinforce protectionist interests – most obviously in agriculture and audio-visual services and more complexly with regard to education and healthcare. Even in competition policy, where the EU was seeking to export its model for tackling private barriers to trade, DG Competition was unenthusiastic about the endeavour. The participation of non-trade ministries was not always an impediment, however, with the involvement of finance ministers and heads of state and government helping to push the 2003 reform of the CAP and thereby opening the way for the EU to make crucial, if not necessarily sufficient, concessions in the face of sustained pressure from developing country governments and others. The hostility of the developing country governments has also forced the EU to abandon the three commercial policy Singapore issues.

### *Social Trade Policy: Reservations about Liberalization*

The EU's social trade policy agenda in the Doha Round also antagonized developing country governments. As one would expect given the nature of social trade politics, NGOs and the governments of the EU's Member States were very active in shaping this agenda. As with commercial policy, the EU's agenda sought to develop common rules where EU rules would not be affected, notably with regard to core labour standards. The EU also tried to clarify existing WTO rules so that they would impinge less on European policies, particularly the environment and consumer safety.

### *Core Labour Standards: Exporting Norms*

The inclusion of core labour standards in the EU's agenda reflected 'growing domestic pressure to address the interface between social development and trade' (Commission, 2004, p. 39). Addressing core labour standards was advocated by governments with strong social democratic traditions that saw the WTO as a way to promote human rights (e.g. Denmark, Germany and Sweden), as well as those that saw it as a way to provide protection (e.g. France) (Ahnliid, 2005; Falke, 2005b; Young *et al.*, 2000). Other governments – such as the British and Dutch – opposed including the issues on the EU's agenda, not necessarily because they opposed the aims, but because they were concerned the developing country opposition would jeopardize progress on the Round (Ahnliid, 2005). The EU was unable to reconcile these different preferences, so its position on core labour standards did not represent much of an advance on the status quo. It expressed its strong support for the protection of core labour rights and ruled out the use of trade sanctions to promote them, but proposed only enhancing co-operation between the WTO and the International Labour Organization (Council of Ministers, 1999). Given the evident

hostility from developing countries at the 2001 Doha WTO Ministerial, however, the Commission did not push for the inclusion of even this limited objective in the Round (Lamy, 2002).

### Environmental Protection and Food Safety: Protecting EU Policies

The EU's objective with respect to the environment and food safety was distinctive in that it sought to clarify existing multilateral rules in such a way as to ensure that they did not impinge on European environmental and food safety rules. Its agenda was driven by the concerns of environmental NGOs and environmental ministries alarmed by the WTO's judgements on the trade effects of environmental rules (Commission, 2004). Specifically, it sought a presumption that all multilateral environmental agreements are compatible with WTO rules and clearer recognition of the legitimacy of the 'precautionary principle', which holds that policy-makers may act to protect the environment or public health before the existence of a risk has been scientifically established, in regulatory decision-making (Commission, 2004; Lamy, 2002).

As with core labour standards, developing country governments were hostile to this agenda, which they perceived as permitting 'green protectionism' and 'health protectionism' (Commission, 2004, p. 41) and the EU's more ambitious objectives were not included on the Doha agenda. The EU's concerns, however, have not abated. Trade Commissioner Pascal Lamy (2004) floated a proposal for the recognition of 'collective preferences' – social choices over a wide range of issues including food safety, cultural diversity, public provision of services and environmental protection – as legitimate reasons for restricting imports, even if compensation would have to be paid. This initiative, however, has not made much impact on the negotiations.

The EU has had to abandon the ambitious aspects of its commercial policy and social trade policy agendas in the face of sustained hostility from developing countries. These concessions reflect the EU deciding it cared more about completing the Round, as the EU's industrial lobbies have advocated (Dür, forthcoming; Dür and De Bièvre, 2007), than pushing its ambitious agenda. Such concessions were made easier by the only tepid support from European firms and governments for the Singapore issues other than trade facilitation; differences among European governments about the desirability of pursuing core labour standards through the WTO; and the view that WTO rules as they stand give sufficient leeway to European regulators (Commission, 2004; PIU, 2000). The EU has not abandoned its commercial and social trade policy agendas, however, pursuing them instead through commitments in preferential trading arrangements (Commission, 2004).

## Conclusions

This article has argued that there are three distinct categories of trade policy – traditional, commercial and social – each of which has a distinctive pattern of politics. Further, the EU's negotiating position in the Doha Round reflects these different patterns of politics across the three aspects of its trade agenda. The EU has adopted a liberal position with respect to traditional trade policy, reflecting the reinforcing impacts of the increasing internationalization of European firms, the greater acceptance of liberal economic ideas by policy-makers and the framing of trade as a development issue. With regard to commercial policy the EU has pursued an ambitious, rule-making agenda where doing so shifts the international regime closer to the EU's – in most services and the Singapore issues. Where the negotiations would imply changes to EU rules, notably in agriculture and some services, the engagement of multiple non-trade actors has made concessions difficult. The EU's social trade policy was ambitious in response to pressures from NGOs, non-trade ministries and governments, seeking to promote core labour standards through the trade regime and to clarify the trade regime so that it would not constrain European environmental and food safety rules too strictly. This article, therefore, suggests that the EU cannot be easily characterized as liberal or protectionist, which it appears to be as much to do with the aspect of trade policy in focus.

This article also illustrates a broader point. Although it is widely recognized that trade policy has changed significantly in the past 20 years with the increased importance of the deep trade agenda, the implications for trade politics have not been adequately explored. In particular, explanations of trade policy developed with respect to traditional trade politics do a poor job of explaining trade policy-making in commercial and social trade policy. Insights drawn from the analysis of regulatory politics might well be more appropriate.

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