The EU, the USA and the WTO – an Uneasy Relationship

In earlier multilateral trade rounds, a closing of ranks between the European Community and the United States used to secure the success of the exercise, witness the famous Blair House agreement on agriculture that in 1992 opened the way to the conclusion of the Uruguay Round. More recently, however, a joint EU-US initiative, again in the agricultural sector, apparently had the opposite effect. Like the “Singapore issues” (investment, competition policy, trade facilitation and transparency in government procurement), the common proposal of the two superpowers in international trade was a major reason for the failure of the WTO ministerial conference in Cancún in September 2003. In particular, it met with fierce resistance from the newly formed group of twenty-plus developing countries which demanded a much more radical liberalisation of agricultural markets in industrial countries (while however keeping their own agricultural trade barriers largely intact). The ensuing collapse of the negotiations caused a sense of multilateral fatigue in both the EU and the USA mixed with anger and frustration. Pascal Lamy, the EU trade commissioner, called the WTO a medieval institution overseeing a deeply flawed negotiating process, while Robert Zoellick, the US trade representative, started to look for coalitions of the willing in trade policy. In fact, the multilateral non-agreement gave additional impetus to the formation of trade alliances outside the WTO, involving the EU and the USA as well as non-aligned countries such as Brazil and India, which of itself tends to further diminish the incentives to seek accord inside the organisation.

In an attempt to escape this vicious circle, the USA in mid-January 2004, rather unexpectedly in view of the beginning presidential election campaign, came forward with new ideas to revive the Doha Round, thereby effectively unravelling the unholy alliance with the EU. The new initiative mainly provides for the complete elimination of agricultural export subsidies by a certain date (to be fixed at a later stage of the negotiations) and suggests dropping three of the Singapore issues, which would leave just trade facilitation (i.e. essentially combating corruption and inefficiency in customs regulations) on the agenda.

In practice, however, the epicentre of US trade policy is bilateralism and regionalism. Since the 1980s, the USA has turned from a laggard into a forerunner in this area. US preferential trade policies are driven by a mixture of economic and political considerations. Economically, the underlying concept reads “competitive liberalisation” as announced by Zoellick in February 2003. Deals with a limited number of trading partners would accordingly advance trade liberalisation and at the same time put pressure on the multilateral negotiation process. The true economic impact of these agreements has remained rather limited, though, as critical sectors (in particular agriculture) are typically excluded from liberalisation and critical policy instruments by definition cannot be covered. It is impossible, for instance, to cut domestic subsidies in agriculture (or elsewhere) exclusively to the advantage of certain trading partners. As far as the agreements are WTO-plus, i.e. go beyond or significantly deepen existing WTO disciplines, some of the new elements are highly controversial at the multilateral level, which in particular applies to labour standards and their enforcement through trade sanctions. Moreover, preferential trade policies can be used to skew multilateral bargaining. This happened in the case of a number of Latin American countries, which for fear of losing trading opportunities with the USA have withdrawn from the G-20 plus. Bilateralism and regionalism may thus indirectly come close to unilateralism, which is also more directly gaining ground in US trade policy.

In the US Congress, and in the population at large, resentment against the WTO, and trade agreements in general, has significantly grown, fuelled by a rising number of WTO
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foreign countries, not intensify it either. In particular, it is felt that the “knowledge worker” 
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