

Multilateral Trade Negotiations and Euro-Mediterranean Trade

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During the VI Interministerial Summit of the World Trade Organization (WTO), held in December 2005 in Hong Kong, a minimum agreement was reached amongst the 150 WTO Member Countries which allowed the Doha Round to be salvaged and avoided a similar failure to the one which took place during the 2003 Cancun Summit. In general terms, the agreements reached in Hong Kong are far from the objectives marked out in the Doha Development Agenda, which was launched after the September 11th attacks and which claimed to favour developing countries trade in order to fight against poverty and to achieve a more balanced globalization system. However, with these agreements there is still hope of closing the Round in time so that the final package can be handed into the American Congress in April 2007, before Bush's Term of Office finishes, and which will probably not be renewed.

Regarding the same turn of events which took place in Cancun, the negotiations were generally focused on three aspects: agriculture trade, access to non-agricultural product markets and service trade treatment. Running the risk of simplifying it too much, the multilateral trade negotiation's dynamic can be summarized by the exchange of agricultural concessions on behalf of developed countries and concessions for manufactures and services on behalf of developing countries. In Hong Kong an agreement was reached on behalf of the rich countries to reduce their agri-

culture support, especially concerning export subsidies, but they hardly advanced in the opening up of developing countries' manufacture markets and services, as the developed countries had claimed.

This struggle between developed countries and developing countries conceals very different circumstances between the developing countries themselves, for which it is not possible to make generalizations on their impact on each other. The developing countries which have led negotiations, like Brazil or India, have little to do with the economies of the south Mediterranean shore, for which the concessions given to the former do not necessarily have to benefit the latter. This article claims to clearly expose some general considerations on the interaction between the multilateral trade negotiations and Euro-Mediterranean trade.

Hong Kong and the Mediterranean

The Hong Kong agreements fix the international trade tendencies and, therefore, place a framework of reference on Euro-Mediterranean trade relations. However, the interaction between both processes is complex, given the existing inequality between the EU negotiating positions and the Mediterranean Partner Countries (MPC) negotiating positions. In the first place, the EU negotiates on a group level after adjusting the negotiating mandate regarding Member States' interests, while the MPC negotiates on an individual level. The MPC's diverging interests are prominent, which on occasions leads them to be in negotiating groups with

conflicting positions. Furthermore, although according to Cancun's Summit, developing countries have shown a greater negotiating power than in the past, the concessions obtained in Hong Kong have created benefits on a greater scale for countries like Brazil or India than for the rest of the developing economies.

As far as MPC countries are concerned, the Multilateral Negotiations present two very different facets: access to EU markets, EU's main trade partner (although the conditions for entry into the American market are also relevant for countries like Jordan, Israel, Egypt or Turkey), and the treatment granted by EU to the rest of the developing countries. In the first place, the Euro-Mediterranean Partnership gives to the EU and to the MPC a larger margin for negotiation than the WTO framework, where the concessions are immediately distributed to all members according to the Most Favoured Nation (MFN) Clause. In the second place, the MPC has already experienced the impact of Preference Erosion which was stipulated in the Uruguay Round, for example in the textile industry. Upon eliminating the Multi-fibre Agreement, which fixed quotas for each country, the big Asian exporters have taken the place of the southern Mediterranean producers in the European market.

Furthermore, the reduced MPC impact on world trade supposes that negotiations are focused on products which have scarcely any interest for these countries, as has happened in the agriculture sector with sugar, bananas and cotton (with the significant exception of Egyptian cotton). However, as we have already pointed out, the multilateral negotiations set the tone for regional agree-

**EURO MEDITERRANEAN SUMMIT OF SOCIAL AND ECONOMIC COUNCILS AND OTHER SIMILAR INSTITUTIONS,
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The European Economic and Social Committee (EESC), a body which was created in 1957 under the Treaty of Rome, ensures the representation of the various socio-economic components of European organised society. As an advisory body, its members and the organisations represented can take part in the E.U.'s decision-making process. Since the beginning of the Barcelona Process, the EESC has actively worked towards establishing relations and collaboration projects with the Mediterranean partners, both with economic and social Councils and with other similar institutions, in countries where this body is not yet established. This network has especially promoted the advisory function and created organisations for social dialogue. On the occasion of the anniversary of the Barcelona Declaration, the EESC and its Mediterranean counterparts got together in Amman to assess ten years of partnership and re-launch their role in political decision-making, calling for a more active participation by means of consultations. A positive signal answering this request came directly from the Euro Mediterranean Leaders' Summit on 28th November 2005; then the EESC President was invited for the first time to this official meeting to represent the voice of organised society, by outlining the conclusions of the Amman meeting.

A basis for reflection and evaluation, the final

Declaration of the Amman Summit firstly emphasizes that, despite the progress made in establishing the Partnership, it has not fulfilled the expectations it created either on the security or development fronts. However, it remarks with especial regret that the political authorities have not given the necessary priority to the social dimension of the process. The Declaration also states that the representatives will commit themselves, for their part, to reinforcing participation in the process, with particular attention to the ENP; they will promote social dialogue in cooperation with the International Labour Organisation, and will strengthen their connections with the Anna Lindh Foundation, the UMCE and the Euromed Trade Union Forum. As for the Declaration's section dedicated to conclusions and recommendations, some of the most interesting observations should be remembered:

- The request to pursue efforts to reinforce the development of the advisory bodies' role in the region and their participation in defining and implementing partnership and neighbouring policies;
- The reinforcement of the social network on a Mediterranean level;
- The promotion of bilateral and multilateral cooperation with the intention of supporting peace and dialogue (a request put forward by the Palestinian and Israeli Social and

Economic Councils and supported by the other members of the network);

- The need to confirm and expand the term of office given to the EESC, to Social and Economic Councils and to other institutions which form part of the same network, within the Partnership's framework;
- The request to organise a Euro-Mediterranean conference on labour;
- The wish to continue promoting participative democracy;
- The promotion of equality between men and woman;
- The establishment of advisory authorities in those countries that still do not have them and the guarantee that all institutions can act independently from governments;
- The promotion of transparency and the fight against corruption so that investments can bring authentic and equitable developments, both at an economic and at a social level.

The next meeting is due to be held in 2006 in Slovenia.

Website:

For the full script of the Final Declaration:

http://eesc.europa.eu/sections/rex/euromed/events/docs/amman_2005_fr.doc

The EESC website:

http://eesc.europa.eu/index_fr.asp

ments. A multilateral liberalization presurizes in order to deepen the regional agreements, and determines the tendency of the agreements in a more or less liberalizing way. Therefore, it should be interesting to treat the implications of Hong Kong's agreements for Euro-Mediterranean trade separately in the ranges of agriculture trade, and non-agriculture and service trade.

Agriculture Trade

The agriculture sector was included in the GATT/WTO during the last Uruguay Round, and is one of the most problematic vectors in the multilateral negotiations, given some of the developing countries insistence in improving its access to the rich countries agricultural markets, and the rich countries unwill-

ingness to reduce their support to the agriculture sector. However, the simplistic vision that the developing countries are interested in agriculture liberalization without any distinction does not correspond to reality, especially in the case of the MPC. The diversity of its interest is expressed in its distribution amongst the different groups formed for the WTO negotiations.

In this way, Egypt is the only MPC integrated into the powerful G-20, led by Brazil and India, formed by developing countries that have agricultural exporting capacity and consequently are interested in a far-reaching liberalization. On the contrary, Israel forms part of the G-10, the most defensive group in terms of agriculture protectionism, while Turkey is integrated into the G-33, the group of 'special product friends', for those developing countries who ask for a differ-

ential treatment and a special safeguard mechanism, although they also have a very offensive approach regarding rich countries subsidies. Finally, Morocco and Tunisia form part of G-90, a group of countries united due to the preference erosion problem, all of which enjoy preferential access to the rich countries market, and especially to EU market, on which they are very dependent. These countries demand these preferences to be maintained as long as the developed countries agricultural subsidies affecting their products will survive.

In any case, for the MPC Conference a dilemma concerning the expansion into the agriculture market has arisen. On the one hand, they want better access conditions to enter into the European markets with Mediterranean products (fruit and vegetables) and its processed products, where they have comparative

advantage, but fear that the multilateral liberalization allows third countries to take control over their market prices on some of these products, to the extent that the preference margin would be reduced. On the other hand, they support special treatment and a safeguard mechanism for grain, meat and dairy products trade, in which they are not competitive. In general, they are importers of these products, and so therefore they also fear that by reducing the grants given in the EU, their prices will increase, and consequently the food bill, which is already of great importance. For example, if the world prices of grain increase, this will also imply a heavy pressure to maintain, or even to increase subsidies for MPC consumption, or to reduce the customs duties on these products, with the resulting budgetary impact.

Manufacturing and Services

A priority for developed countries, together with service trade liberalization, is to improve the entry into non-agricultural product markets of developing countries, given that they maintain very low manufacture tariffs, in comparison to developed countries. One of the main obstacles to the conclusion of the negotiations stems precisely from the fact that the rich countries believe that the concessions regarding this matter are not equal regarding those carried out in agriculture trade. In any case, the developed countries requests point above all to the protectionism of the new industrialized countries, like Brazil or India. For the MPC, which enjoy free access to the EU's manufactures' market and which are in the process of liberalizing their manufacturing sectors in the frame-

work of the Euro-Mediterranean Free Trade Area, this aspect only turns out to be relevant concerning these three points: to minimize preference erosion which is currently enjoyed by the European market, to improve its access to third markets, and to receive a differential treatment as developing countries in relation to third countries. In any case, putting questions of business politics to one side, the MPC can obtain important interests by modernizing its business institutions in line with what has been stipulated by the WTO concerning standards, origin rules, solution of differences or customs law.

The liberalizing agenda has cut back in terms of services, investments and intellectual property protection. It covers topics of great interest for developed countries, which enjoy important comparative advantages in those areas, but the developing countries have refused to include in negotiations with the amplitude desired by the developed countries. The international financial institutions consider, not without reason, that by liberalizing the service trade in developing countries, this will increase their economy's competitiveness, but the developing countries fear that their tertiary sectors would go under the rich countries big company control. Furthermore, the developing countries demand as a consideration the liberalization of the Service Trade's Method 4, which involves moving the work force to the country where the service is needed, and which is perceived by the rich countries as a concealed way to liberalize the work force movements.

The service trade is being contemplated in the same way as manufacturing and agriculture by the Euro-Mediterranean Association Agreements, emphasized by the EU Neighbourhood Pol-

icy. In this area, the Euro-Mediterranean agreements are obviously weaker in comparison to the EU's multilateral negotiations. For that reason, a major advance in multilateral trade service liberalization could have an important impact on the MPC, above all if some type of agreement referring to Method 4 is reached. Nevertheless, given that it seems highly unlikely that both extremes are implemented right now, the Euro-Mediterranean Association Agreements continue to maintain its focus on WTO-plus in terms of services, that is to say, entail a greater liberalizing component in the regional framework than in the multilateral framework.

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