Weakness as Power: France, Europe and the WTO Negociations

By Sophie Meunier,
Woodrow Wilson School, Princeton University.

Diplomatic skills and institutional constraints confront roughly in multilateral trade bargains.

The run-up to the Hong-Kong meeting of the World Trade Organization (WTO) in December 2005 was fraught with intractable disputes and last-minute bargaining. Many of these disputes opposed, as expected, the usual opponents: the emerging economies versus the most developed nations; the pro-agricultural liberalization Cairns Group versus the ultra-agricultural protectionist G10; the European Union versus the United States.

Some of these disputes, however, took place within the European Union itself. In particular, the most public confrontation pitted Paris over Brussels over the issue of the negotiating mandate of the trade commissioner, Peter Mandelson, in agricultural negotiations. This internal crisis, which was given wide publicity in the European media, was portrayed as a serious constraint on the ability of the EU to come up with a respectable offer in the multilateral talks and therefore as a primary cause of future failures in the Doha Round.

Is it true that the French obstinate attack on the competence of the trade commissioner undermined the European bargaining position in the multilateral negotiations? More generally, have the internal EU disputes affected the ability of the EU to bargain in the WTO, both in the present and in the long-run?

State of Emergency

Let's sum up the recent dispute. In the weeks preceding the Hong Kong interministerial conference of the WTO, international bargaining intensified, in particular in the deadlocked area of agriculture. Through its trade representative Rob Portman, the U.S. announced that they were offering a 60% reduction in a range of direct subsidies to farmers. On behalf of the EU, Peter Mandelson countered the American offer by proposing reductions of European direct aid on a variety of products. France immediately contested this offer, accusing the trade commissioner of overstepping his mandate by offering cuts to farm subsidies and tariffs going beyond the reform of the Common Agricultural Policy adopted in 2003.

> A potential veto does not necessarily undermine the bargaining power of the EU

At the request of France, the EU held an emergency council in October to discuss the collective negotiating strategy. France had two major complaints. First, most likely, the EU negotiator had exceeded his mandate. Nevertheless, in spite of the previous support of 14 out of the 25 member states, who had earlier signed a letter about the CAP reform sent by the French agriculture minister, France did not manage to find a sufficient majority at the meeting to agree that the EU negotiator had overstepped his mandate. Second, the French government deplored the fact that Peter Mandelson had submitted his counteroffer

without prior consultation with the member states. France tried to put limits on the powers of the trade commissioner to negotiate on behalf of all EU members by proposing to set up a technical committee on farm aid. Once again, however, French demands to restrict the negotiator's flexibility were rejected, although Mandelson was asked to keep the EU members fully and systematically informed of the talks.

Isolated but determined to restrict the margin of maneuver of the EU negotiator, France changed tactics. At the Hampton Court summit meeting a few days later, Jacques Chirac said that France was reserving its right not to approve the outcome of the Doha negotiations. The threat was clear: if the French position is not taken into account, Paris will not hesitate to use its "atomic weapon" and veto the multilateral agreement once negotiated. Several times since then, as Mandelson made his final agricultural offers

ahead of the Hong Kong meeting, France reiterated that it was ready to block world trade talks if needed.

Negotiating Credibility

This internal EU crisis could have dire consequences on the ability of the trade commissioner to negotiate. As Mandelson himself argues, this incessant public display of lack of confidence weakens the credibility, and therefore the negotiating position, of the EU. The fierce hostility of the French government limits his room of maneuver and ties his hands, when he needs them free to negotiate efficiently. The potential French veto casts a shadow over any deal made by the EU, since no third country can be sure that the deal will hold in the end. The French proposals to restrict the commissioner's autonomy and flexibility would put him on an even tighter leash, and reduce his effectiveness even further. Overall, this contributes to undermining the bargaining power of the EU in international trade negotiations.

> Game theory suggests that weakness may bring strength in negotiations

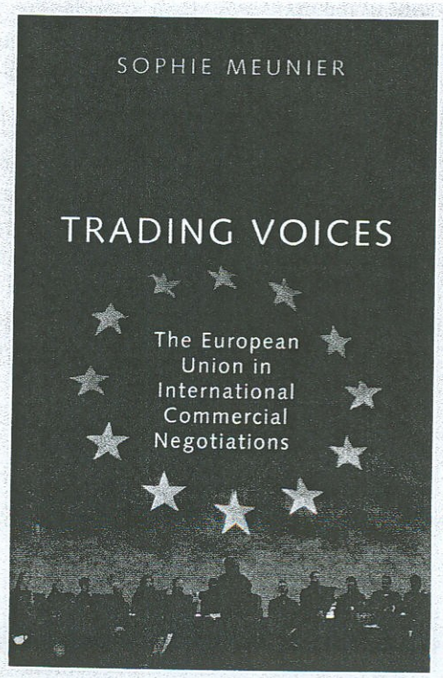
Or does it really? Could France's intransigence, instead of a handicap, serve as a useful negotiating tool for Mr. Mandelson as he tries to extract concessions on trade in services and other goods? As the new book *Trading Voices*: The European Union in International Commercial Negotiations argues, sometimes it has paid off for the EU to negotiate in an apparent position of weakness.

Exposing publicly the conflict between France and the EU trade commissioner serves as a signaling device. It shows to the world that his hands are tied and that in no way will he be able to offer concessions going beyond the lowest common denominator –that is, the French position. The negotiating partners know the EU's bottom-line, instead of having to discover it through the usual process of negotiations. They realize that the EU has little wiggle room because of French constraints. If anything, the recent riots in France suggest that the French government will be even less likely than before to give in to European demands, and the whole world can observe this.

Playing Tight

Far from being a victim of the institutional process, as its politicians often claim loud and clear, France may indeed have been using it in its favor all along. The requirement to adopt the Doha Round deal within Europe with unanimity gives a large echo to its voice –that of twenty-four other countries. It makes France a much more powerful player on the international scene than it would be on its own. Its firmness, coupled with the necessity of speaking on behalf of the EU with a single voice, enables France to obtain concessions from the rest of the world, or to avoid having to make its own concessions to the rest of the world.

It is not the first time that France uses, consciously or not, this tactic derived from game theory, which suggests that weakness may bring strength in negotiations. There have been recurrent battles between Paris and Brussels over trade negotiations. For as long as Europe has spoken on behalf of its members in international trade negotiations (that is, since the inception of the Common Market), French policymakers have complained that the European trade commissioner was overstepping his mandate. The current accusations are the last ones in a long list that includes, among others: the battle over competence waged by French foreign minister Alain Juppé against EU commissioner Sir Leon Brittan during the Uruguay Round of GATT in 1993, which led to the renegotiation of the famed "Blair House" agreement on agriculture. And of course General de Gaulle's "empty chair policy" in 1965, which led France to obtain a better deal in the agricultural negotiations of the Kennedy Round of GATT. *Trading Voices* explores these two cases, and others, in great detail.



TRADING VOICES

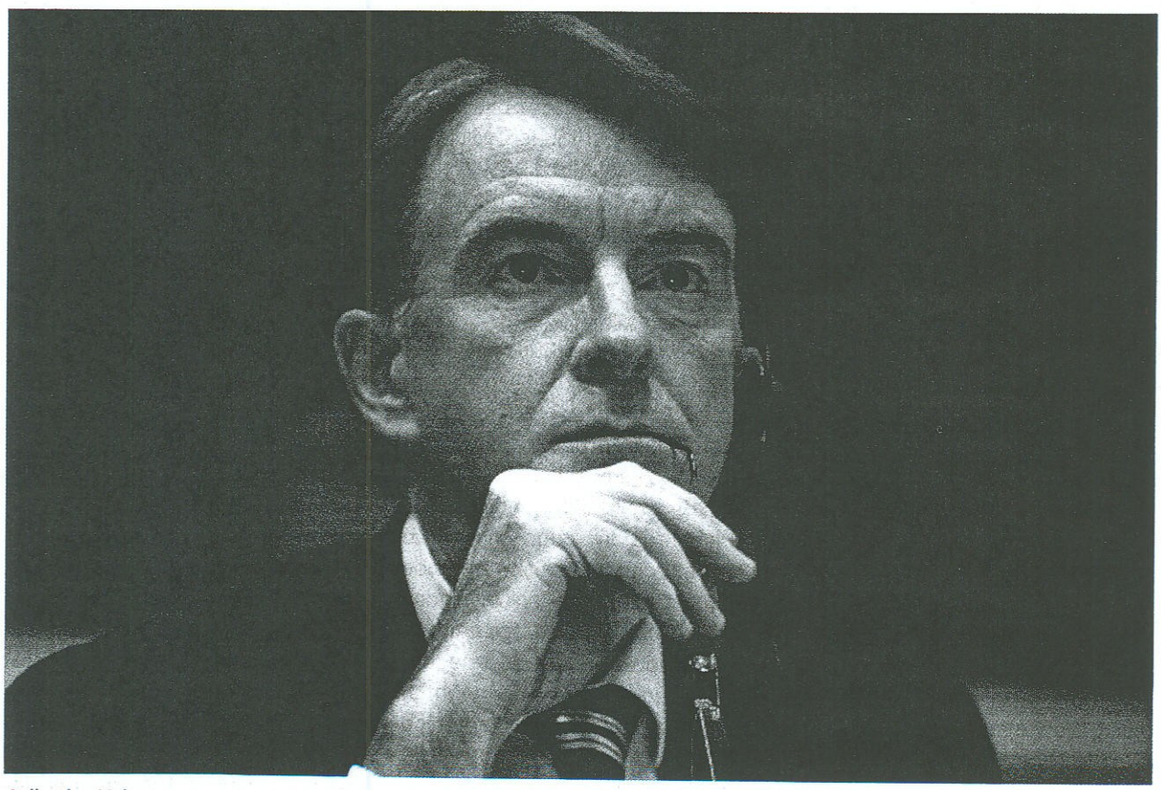
"This impressive book offers the first authoritative study of the trade policy of the EU-the world's largest trading block. Trade policy represents a key example of the EU as a complex bundling of supranational and intergovernmental features. It will appeal to those interested in trade policy, the European Union, and the development of international organizations."

Pascal Lamy,
Former European Union Trade Commissioner

By holding out to Brussels, President Chirac and his ministers are playing on two levels simultaneously. By not bowing down to the EU trade bureaucracy, they prove that they heard the concerns of the French voters who turned down the referendum on the Constitution in May –in particular the farmers discontented with the recent turn of events in the CAP and all of those worried about the negative effects of liberalization and globalization. Indeed, domestic politics seem largely at play. Even Nicolas Sarkozy, the minister of the interior and presidential hopeful, stepped into the debate, publicly accusing Mr. Mandelson of having entered "a fool's bargain" in his offer to match the U.S. promise to cut tariff and subsidies on farm products. The bargaining game is also being played at the international level. Its negotiating partners know that the EU will not be able to go any further in opening European agricultural markets than what Mandelson has already offered. They also know that the EU will not move further if they do not offer reciprocal concessions in the areas of industrial tariffs and services.

The interplay between the French, the European and the international levels, which political scientists refer to as "three-level game," will undoubtedly shape the final outcome, or lack thereof, of the Doha Round. The question is: in which direction will France's efforts to undermine the EU negotiating position eventually play out? Towards a final agreement closer to European interests, thanks to the tied hands of the EU negotiator, or towards the collapse of a possible agreement because no one will believe that the EU negotiator can eventually deliver? The December Honk Kong meeting does not mark the end of the round. Interestingly, the real deadline for the end of the round comes from another multilevel game, this time based in the United States. President Bush has until April 2007 to submit the results of the round for approval in the U.S. Congress, three months before the expiration of the executive fast-track authority, which forces Congress to vote on trade agreements without amendments. In the current domestic political climate in the U.S., it is unlikely that such authority will be easily renewed. ■

Sophie Meunier is a researcher in public and international affairs at Princeton University's Woodrow Wilson School. She has published widely on France, the European Union, and globalization, and is the co-author of The French Challenge: Adapting to Globalization (2001), winner of the 2002 France-Ameriques book award. Her new book ***Trading Voices: The European Union in International Commercial Negotiations*** *came out in September 2005. The French version, L'Union fait la force: l'Europe dans les négociations commerciales internationales is coming out in December. She is an elected member of the executive board of the European Union Studies Association.*



Collective Voice.
Peter Mandelson embodies the bargaining power of the EU.