

## EU Trade Bait

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It is now European mantra that the US does not support multilateral institutions, like the Kyoto Protocol. In possibly his last act as European Trade Commissioner, Pascal Lamy has shown that the EU is now prepared to "entice" countries to follow its environmental policies. He called it "Soft Power". It is trade bait for poor countries and that is bad news for them. People are right to wonder who and what is next.

At a press conference in Brussels on 20 October, Lamy announced that the EU would give preferential access to its markets if poor countries passed an EU test. They had to accede to a set of international conventions on environment, labor and human rights nominated by the EU. He highlighted the Kyoto Protocol.

Journalists will see the "Soft Power" claim as yet another effort by the EU to differentiate itself from US 'Hard Power' (unilateralism). But it looks like a Freudian slip. The real contrast is with the EU's own brand of hard unilateralism on trade and environment which it has been practicing, unannounced, for some time.

**For nearly 10 years the EU tried, without success, to get the WTO to approve compliance with environmental standards as a pre-condition for access to markets. Research by the US National Foreign Trade Council shows it has gone ahead anyway and unilaterally imposed its own restrictions. The most recent exports to suffer are textiles, shrimp and furniture, mostly from Asia. The message is clear. No access if you don't meet EU standards.**

The "Soft power" strategy tries to be friendlier. Meet EU standards and you get extra access. Developing countries will be wary. The EU has previously offered to remove barriers to imports from poor countries, with only limited effect. Except in the case of agriculture, EU trade barriers are not very high. And very poor countries usually do not make many of the products rich countries import.

Lamy has said this time that the EU will offer access to some sensitive agricultural products. But this is also evidently limited. Competitive producers like Brazil, China and India are excluded from this scheme. This is certainly not a grand gesture. So why has the EU bothered to introduce it?

Under Pascal Lamy EU trade policy has increasingly become a tool for environment and human rights policy. That is what the World Wide Fund for Nature (WWF) and Greenpeace want and environment officials in the European Commission are dedicated to bend trade policy in that direction.

When the Kyoto Protocol was negotiated, EU environmental officials were disappointed that developing countries would not agree to reduce emissions. They naively hoped that developing countries would follow the example of the EU and voluntarily reduce emissions of carbon dioxide (CO<sub>2</sub>).

At the UN Johannesburg Summit on sustainable development in 2002, the EU pointed out to developing countries that the Kyoto program expired in 2012 and reductions were needed after 2012. It proposed that developing countries, including China, India and Brazil, join a post-2012 program to cut emissions. The rebuke was swift. Developing countries would have none of it.

Is Lamy's initiative his final contribution to another turn by the EU of the climate change ratchet on developing countries? Those poor countries which do sign up it are anyway likely to find it more trouble than it is worth. The treaties specified by the EU typically imply obligations which are onerous. Under Kyoto, developing countries are supposed to set up systems to monitor greenhouse gas emissions. They also have the option to establish low emission projects which industrialized countries will fund and approve.

Most poor countries wouldn't expect to implement these treaties to the letter (or at all). Administrative capacity is weak and they have other national priorities. These conventions are mostly initiatives of rich countries which poor countries ratify because rich countries ask them to. It is a safe bet that EU environment officials will insist on evidence of compliance with all the terms of conventions like Kyoto before the EU offers lower trade barriers to these poor countries.

There is more in store. Using the 'hard' trade option on climate change - unless Kyoto is ratified and emissions are reduced, no market access - is also under active consideration in Europe. Several green bodies in Europe, for example the Centre for Environmental Law in Geneva which works for WWF and Greenpeace, has argued that the EU should restrict imports from countries which don't abate emissions of CO<sub>2</sub>.

The WTO prevents countries using trade in this way. No wonder the EU wants WTO rules changed. Some EU officials also consider that rulings by the WTO disputes procedures may make such a scenario possible. But no EU trade official is willing to say this publicly. This would invite a full scale trade war with the US and leading developing countries.

Officials in Brussels will just press on using policy creep. We have had undeclared use of "Hard power" (trade coercion) and now declared "Soft Power" using trade bait. What will be the next turn of the ratchet? Watch closely the meetings of parties of the Kyoto Protocol in Buenos Aires in December and negotiations in the WTO.

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