

E.U. Offers New Tariff Cuts, but Internal Conflicts Remain

By DAN BILEFSKY and GRAHAM BOWLEY
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BRUSSELS, Oct. 28 - Calling it one of the biggest steps it has made in trade liberalization, the European Union today unveiled a fresh offer of sweeping cuts in its agricultural tariffs in a bid to save stalled world trade talks.

Peter Mandelson, the E.U. trade commissioner, said Europe would cut its average agricultural tariffs to 12 percent from 23 percent, a reduction of 46 percent.

Its previous offer of cuts of 25 percent was roundly rejected by Europe's trading partners, who accused the organization of jeopardizing the entire round of talks just weeks ahead of a crucial meeting in Hong Kong.

But the proposal could set the scene for a painful clash within the organization between Mr. Mandelson and a group of farm-reliant countries led by France. The commission made the offer today despite a fierce warning by President [Jacques Chirac](#) of France on Thursday that he was prepared to veto any final deal that endangered Europe's current farm subsidy and tariff regime.

It is also unclear whether the proposed cuts will be enough to satisfy Europe's trading partners.

The United States has proposed cuts of 75 percent in its tariffs, and has said that the E.U. must at least match a proposal from the world's developing countries of an average cut in tariffs of about 50 percent.

Mr. Mandelson and Mariann Fischer Boel, the E.U. agriculture commissioner, were due to put the offer to some of Europe's biggest trading partners, including the United States, Australia, Brazil and India, during a teleconference from Brussels late today.

"It is a massive move, the largest move that the E.U. has ever made," said Peter Power, a spokesman for Mr. Mandelson. "This proposal shows that any notion of fortress Europe is exaggerated."

Europe's proposal foresees tariffs on the highest band of goods being cut by 60 percent, he said.

But Mr. Power stressed that the union's proposals depended on its trading partners making similar moves in slashing their tariffs on industrial goods and services.

"If our partners don't play ball, we will not hesitate to roll back our offer," he said. "If anyone rubbishes our deal, we must ask do they really want a successful trade round?"

On Thursday, Mr. Chirac disrupted a summit meeting of E.U. leaders at Hampton Court, near London, by insisting that France would not allow any move by the commission that went further than the previous cuts to the union's farm subsidy and tariff regime, which European Union countries agreed to in 2003.

"That is the red line, that is our limit," Mr. Chirac said at a press conference after the meeting. "It is totally out of the question for us to go a single step further."

Mr. Mandelson has responsibility for negotiating in the trade talks on behalf of E.U. countries. But before any deal can be struck, the commission's final negotiating position requires unanimous agreement by all 25 member countries, so France does have the ability to veto it and thus hold up the whole round of global trade talks.

Amid rising antagonism and hostility over the past few weeks between France and the European Commission, France has accused Mr. Mandelson of overstepping his mandate by offering concessions that go beyond the 2003 agreement between E.U. countries. France is not alone. Ireland is also concerned that Mr. Mandelson has made excessively generous concessions too early in the discussions, which has fundamentally weakened the union's negotiating position.

Mr. Mandelson made the offer today in a bid to keep the global trade talks alive amid heightening tension before a World Trade Organization meeting in Hong Kong on Dec. 13-18, when a broad agreement on liberalizing world trade was supposed to be agreed.

Mr. Mandelson has recently described those talks as "on a knife edge."

The United States' offer on farm cuts this month surprised the E.U. and immediately put pressure on it to follow suit. However, the E.U. has countered that the United States offer lacks detail and would still require congressional approval.

France, where unemployment is high and the farm lobby is strong, and where presidential elections are due in two years, has issued a string of protectionist broadsides in recent weeks. This has brought it into conflict with the commission. Over the summer France pressured Mr. Mandelson into reimposing quotas on Chinese textiles imports over fears in France for its domestic textiles industry, despite fierce calls from more free-trading nations in the E.U. for greater liberalization.

The issue of farm subsidies has also divided the organization into nations favoring more open markets and those who want to maintain protection for their domestic industries. Prime Minister [Tony Blair](#) of Britain called the summit meeting Thursday in the hope of persuading European Union countries to adopt a more modern, liberalizing approach to their economies but encountered resistance from France and Germany.

The union is trying to agree on a new budget but those talks are stalled between countries like Britain that want lower spending on agriculture subsidies and France, which wants to maintain the status quo. France called an emergency meeting of E.U. foreign ministers

this month over its concerns that Mr. Mandelson was overstepping his mandate on the trade talks. It wanted him to keep E.U. countries better informed on every new concession he makes. The commission has denied that Mr. Mandelson is overstepping his mandate.

Other countries such as Italy and Greece have supported France, but it is unclear whether they will be won over by the commission's latest offer.

Dan Bilefsky reported from Brussels for this article, and Graham Bowley reported from London.