

Plenty new in the Old World

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Contrary to widespread belief, enlargement of the European Union (EU) to embrace 10 new Central and Eastern European countries will not so much revolutionize Common Agricultural Policy as confirm its recent reform direction, says European Commission Delegation Chief Angelos Pagkratis.

In an interview to mark Europe Day (the 53rd anniversary of the Schuman Declaration), the European envoy reports a "fundamental" reform since 1992 with a subtle but significant shift in the basis of the support system from production to the producer. Needed to give Europe food self-sufficiency in the post-war period, the production-oriented system was producing huge surpluses accompanied by equally massive subsidies four decades later.

One important milestone in the process of detaching subsidies from production was the decision in 1995 to make world prices a reference value for subsidies. European participation in the Doha Round of the World Trade Organization (WTO) carries a clear commitment to reducing tariffs and subsidies (which "others" are increasing, says Pagkratis). At the same time Agenda 2000 (setting the European budget from 1999 to 2006) freezes subsidies without any index-linking even after enlargement, which will bring some seven million new farmers into the EU and almost double its population of agricultural producers.

This is decisive, points out Pagkratis, because since Eastern European farms are currently producing below capacity without full technological input, a system of production support would surely send their output soaring spectacularly at the expense of the rest of the world. But as things now stand, having producer-friendly rather than production-oriented policies suits the East European farmer, thus confirming the reform trend in agricultural policy.

The Greek-born envoy throws out a few facts and figures to show that Europe is a far more open market than widely believed. The EU buys more from developing countries than the United States, Canada, Japan and Australia put together. And EU imports from Argentina rose 11 percent last year at a time of crisis (food imports 25 percent with the Hilton quota for meat upped 10,000 tons) — this does not happen with protected markets, he argues.

Pagkratis is anxious for Argentines to understand how much European agricultural policy has changed since the general image here is still the policy of 15 years ago but he also wants Argentines to appreciate that agriculture is not everything. As this country has started to recover from crisis since his arrival here at the beginning of the year, he notes other sectors both old and new coming to the fore — the traditional textiles industry, small and medium-sized

industry (PYMEs) but also services. He spots great potential in high tech and software and feels that progress here would make Argentina far more interested in patents and intellectual property rights, as well as extending aversion to protection beyond the agricultural sphere.

As Argentina emerges from crisis, Pagkratis also feels that the time is coming to do more to encourage investment, of which Europe is a major source. Many of the drastic anti-crisis measures taken did not exactly encourage investment but then that was hardly important in the depths of the crisis — it will be now and the European envoy feels that foreign investors should be treated with more sensitivity.

Discussing Argentina's place in the world, Pagkratis no more wishes to limit the issue to Mercosur than trade to agriculture but at the same time he is optimistic about the Southern Cone bloc. There are simply too many good reasons for Mercosur for it to fail. Not only does Mercosur give a medium-sized economy like Argentina a stronger voice in the world but Pagkratis thinks particularly about the regions beyond the capital, bearing the European experience in mind. Argentina is not Buenos Aires and regional integration would give the smaller regions more scope and other regions with which to interact.

The *Herald* asked how Europe could serve as a model for Mercosur, given that in the past the bloc has prided itself on advancing without creating any "Eurocratic monsters" on the way. Disputing the notion of any "Eurocratic monster" (community institutions currently total 30,000 people to serve an EU population of 370 million), Pagkratis maintained that any integration needs a minimal institutional capacity to be functional. He suggested that the negotiating process towards an EU-Mercosur agreement by itself helps promote institutional awareness in Mercosur because more institutional capacity will be needed to sign this agreement in all its aspects. The European model is not perfect nor its experience transferable but there are lessons.

The European Commission's man here has little time for the notion that Europe and the United States are both vying to recruit South America into rival trade blocs, an idea which he dismisses as "simplistic." Europeans, North and South Americans all benefit from free trade and all seek it (or should). The EU position is that all free trade agreements are complementary provided that they are within the WTO and open to others.

Integration should not be understood as being just trade nor sought only at the regional level — the multilateral (including the WTO) and bilateral also have their importance. Yet Europe's experience has taught it that regional coherence is the only way to independence in a globalized and interdependent world, offering the stability and predictability needed for long-term growth.

Europe's growing awareness that integration transcends trade leads Pagkratis to place both next year's expansion and European differences over the Iraq war in perspective, assigning them relative importance. He argues that the expansion of integration into foreign and security policy would necessitate profound structural changes, even if the EU were not adding 10 new members and virtually doubling its official languages from 11 to 19-20.

The combination of globalization and expansion serves to bring all EU structures into question, blurring the boundaries between the European Council and Commission. Once the concept of integration reaches foreign policy, where do you draw the line between foreign and economic relations in a globalized world? For this reason Pagkratis deems a merger of the pertinent commissions to be highly probable. Such reforms are not simply a question of institutional overhaul but bring in qualitative change and the "equilibrium between institutions."

Far from the Iraq War sabotaging the integration of foreign and defence policy by dividing Europe into Franco-German and Anglo-Spanish blocs, Pagkratis is convinced that the crisis has only accelerated the process. The differences are a logical consequence of a system which permits them, he argues, so that there is now a common will to move forward to a more united and coherent Europe.

Turning to the EU's new recruits, Pagkratis described them as fully meeting the three Copenhagen criteria for membership (commitments to democracy and a free market economy along with a willingness to adapt to EU norms and policies) — if that were not the case, they would not even be candidates to negotiate accession. These new members clearly stand to gain (various EU countries can testify as to how entry modernized their economies and societies) but they contribute to the EU in turn by expanding its security space, stability and economic potential. And the structural changes which expansion will imply would probably have been needed anyway, as argued above.

Some of the questions raised by expansion have already been covered by the Nice Treaty — other questions await answer from the Convention on the future of Europe, which is due to submit its report at the end of next month. This convention (chaired by French ex-president Valéry Giscard d'Estaing) marks a unique departure from the intergovernmental treaties hitherto shaping the EU. Its non-binding debates (which embrace NGOs as well as public and parliamentary representatives — also an innovation seeking more opinion beyond government and more democracy) aim beyond a more efficient and "user-friendly" EU to a form of constitution.



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