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A Conflict of Institutions? The WTO and EU Agricultural Policy

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Argument and Evidence

- To be effective, international institution must compensate for obstacles to reform embedded in domestic institutional process
 - ★ EU institutions are responsive to issue linkage strategies that broaden the agenda
 - ★ EU institutions reduce the effectiveness of legal strategies that narrow the agenda
- Case studies of US-EU agricultural trade negotiations
 - ★ Successful reforms in Uruguay Round
 - ★ Ongoing noncompliance in the hormone beef dispute

The Privileged Position of Agriculture in EU Policy

- The Common Agricultural Policy
 - ★ Price supports, subsidies, and trade barriers form interlocking policies across multiple commodities
 - ★ Agricultural support represents 45 % of EU budget expenditures
 - ★ Legitimacy as central pillar of European integration

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 - ★ Agriculture ministers
 - ★ Consensus norms
 - ★ Complex package deals necessary to gain agreement

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- Agricultural trade policy
 - ★ Agriculture Commissioner rather than Trade Commissioner takes lead role
 - ★ Special Committee on Agriculture rather than COREPER and 133 Committee

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- *Segmented Policy Jurisdiction Blocks Reform Efforts*

The Puzzling Pattern of EU WTO Behavior

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- Major reforms in trade rounds
 - ★ End variable levy, reduce price support and subsidy policies in Uruguay Round
 - ★ Agree to discuss end of export subsidies in Doha Round
- Poor record of cooperation in adjudication
 - ★ 24 of 42 WTO cases (57%) initiated against the EU concern agriculture (35% of all WTO cases concern agriculture)
 - ★ Failure to comply with WTO rulings on bananas and beef

Record of Resistance in GATT Dispute Settlement

	EU	Japan	U.S.	Non-EU members
no change	32 (56%)	3 (12.5%)	13 (24.53%)	41 (29%)
concession	25 (44%)	21 (87.5%)	40 (75.5%)	100 (71%)
total cases	57	24	53	141

Table 1: *Concessions by the EU, Japan, and the United States as Defendants in GATT Dispute Cases, 1960-1994*

How Issue Linkage Brings Agricultural Liberalization

- A credible commitment to link cross-sectoral issues in a single package negotiation promotes liberalization by two mechanisms:
 - ★ Broaden policy jurisdiction to give larger role for trade officials
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- A credible commitment to link cross-sectoral issues in a single package negotiation promotes liberalization by two mechanisms:
 - ★ Broaden policy jurisdiction to give larger role for trade officials
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- These mechanisms work effectively in the EU policy context
 - ★ Place initiative with General Affairs Council and Trade Commissioner
 - ★ Raise stakes to pressure against veto actors

The Conflict Between CAP and Dispute Settlement

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- Legal framing in dispute adjudication promotes liberalization by two mechanisms:
 - ★ Interest to protect reputation and avoid retaliation
 - ★ Obligation to comply with legitimate policy ruling
- The EU policy context reduces the effectiveness of these mechanisms
 - ★ Multiple members diffuses concern about reputation and impact of retaliation
 - ★ Normative value of EU integration weighs against obligation of WTO rules

The Uruguay Round

- Starting position: EU opposed to any major CAP reform
- *Single-undertaking* as a credible cross-sector issue linkage is strengthened by Brussels meeting collapse and Dunkel draft
- Export industries with a stake in concluding the round lobby for agricultural liberalization
- General Affairs Council and trade ministers take on larger role
- Outcome: Largest overhaul of CAP since its beginning, moderate liberalization with subsidy cuts and shift from price supports towards direct income support

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- Similar story for Doha Round?
 - ★ Built-in agenda, Cairns Group, and G21 all push for strong cross-sector linkage
 - ★ Signs of compromise from EU on export subsidies and overall reduction

The Hormone Beef Dispute

- Starting position: Community ban on hormone-treated beef passed in 1985
- EC blocks establishment of GATT panel in 1988 and U.S. initiates unilateral sanctions
- EC agrees to scientific standard for SPS negotiations in the Uruguay Round
- WTO panel rules that EC ban violates WTO because there was no risk assessment
- European Parliament exercises large role to support the ban
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- Will the GMO dispute reach a similar impasse?

Some Thoughts on Agriculture-Environment Issue Linkages in the WTO

- *Multifunctionality*
 - ★ Agricultural production also serves the purpose of environmental protection
 - ★ “Green Box” allows subsidies that encourage environmentally compatible agriculture
 - ★ Argument has popular appeal: 89% of European public believes the CAP should work to protect the environment

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- Dispute case against green box policies would be especially difficult politically

Conclusion

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- Adjudication of agricultural policy disputes in WTO Dispute Settlement is more likely to encounter deadlock
- Need to look for appropriate international institutional setting for specific kinds of domestic policy issues
- Agri-environment linkages increase political obstacles against liberalization of EU agricultural trade policy
- Recommendation: Pressure on these issues in a trade round is likely to be more effective than legal strategies, but adjudication can also push forward negotiation.