Title
A Conflict of Institutions? The WTO and EU Agricultural Policy

Permalink
https://escholarship.org/uc/item/78m6526h

Author
Davis, Christina

Publication Date
2005-09-07
A Conflict of Institutions?
The WTO and EU Agricultural Policy

Christina Davis
Institute of Governmental Studies
University of California, Berkeley

February 2005

This paper can be downloaded without charge at: Center for Institutions and Governance Working Papers Series: http://igov.berkeley.edu/workingpapers/index.html
A Conflict of Institutions?
The WTO and EU Agricultural Policy

Christina Davis

Department of Politics
Princeton University

May 28, 2005
Overview

Question

• How does the WTO interact with the EU policy process for agricultural trade?
Overview

Question

• How does the WTO interact with the EU policy process for agricultural trade?

Argument and Evidence

• To be effective, international institution must compensate for obstacles to reform embedded in domestic institutional process
Overview

Question

- *How does the WTO interact with the EU policy process for agricultural trade?*

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
Overview

Question

• How does the WTO interact with the EU policy process for agricultural trade?

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
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

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

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

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

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

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

- Segmented Policy Jurisdiction Blocks Reform Efforts
The Puzzling Pattern of EU WTO Behavior

- Major reforms in trade rounds
The Puzzling Pattern of EU WTO Behavior

- Major reforms in trade rounds
  - End variable levy, reduce price support and subsidy policies in Uruguay Round
The Puzzling Pattern of EU WTO Behavior

- 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
The Puzzling Pattern of EU WTO Behavior

- 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
The Puzzling Pattern of EU WTO Behavior

- 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

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

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
  - Increase mobilization by export industries lobbying for agricultural liberalization
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
  * Increase mobilization by export industries lobbying for agricultural liberalization

- 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
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 Conflict Between CAP and Dispute Settlement

- 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
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

- 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
- Outcome: U.S. continues sanctions that are authorized by the WTO as temporary compensation for EC violation
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

- Outcome: U.S. continues sanctions that are authorized by the WTO as temporary compensation for EC violation

- 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
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

• This linkage broadens the issue space but fails to mobilize actors who favor trade liberalization

• The agriculture-environment linkage will increase support for agricultural protection rather than liberalization
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

- This linkage broadens the issue space but fails to mobilize actors who favor trade liberalization

- The agriculture-environment linkage will increase support for agricultural protection rather than liberalization

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

- Cross-sector issue linkages in trade rounds address the problem of segmented policy-making in the EU
Conclusion

- Cross-sector issue linkages in trade rounds address the problem of segmented policy-making in the EU

- Adjudication of agricultural policy disputes in WTO Dispute Settlement is more likely to encounter deadlock
Conclusion

- Cross-sector issue linkages in trade rounds address the problem of segmented policy-making in the EU.
- 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.
Conclusion

- Cross-sector issue linkages in trade rounds address the problem of segmented policy-making in the EU

- 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
Conclusion

• Cross-sector issue linkages in trade rounds address the problem of segmented policy-making in the EU

• 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.