

The EU and Agriculture in Multilateral Trade Negotiations –

Defending Agricultural Exceptionalism and the State Assistance Paradigm

Bachelor Thesis
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Abstract

The aim of this thesis is to determine and explain EU behaviour in multilateral trade negotiations on agriculture. On the basis of past negotiations in the GATT an explanatory framework stressing ideas, interests and institutions and their role in upholding a policy paradigm is developed and then tested for the ongoing Doha Development Round of the WTO. It is found that the EU behaves in a 'limited rational' way, trying to preserve an agricultural policy based on the state assistance paradigm but making it 'WTO compatible'. The defensive stance of the EU can be ascribed to the Commission's continued endorsement of the idea of agricultural exceptionalism and is often reinforced by the demands of agricultural interests and institutional features that allow for only incremental change and lock the EU into the position of the most protectionist member states.

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1. Introduction

The current round of negotiations in the World Trade Organization (WTO), the Doha Development Round, has been going on for more than eight years with no sign for its conclusion in the near future. One of the topics of this and past multilateral trade negotiations is agriculture, which has often proven problematic for all parties involved. Deadlock has occurred many times between the major negotiating parties, concerning a variety of issues. The EU is often among those being criticized the most for their unwillingness to open up agricultural markets and eliminate trade-distorting subsidies. Such behaviour does not only contradict the purpose and goals of the WTO, but also the EU's overall trade strategy which has at its core openness and liberalization. Accordingly, the EU has been put under pressure by some of its trading partners and NGOs alike. The main question the thesis wants to address is what makes agriculture such a problematic issue for the EU at multilateral trade talks. The goal will be to determine the EU's behaviour in the latest round of negotiations and its underlying reasons. A hypothesis stressing the role of ideas, interests and institutions and the role they play in upholding the state assistance paradigm will be generated and tested for the case of the Doha Development Round.

In past multilateral trade negotiations the EU took on a defensive stance whenever its Common Agricultural Policy (CAP) was concerned. This has been explained by the endorsement of the idea of 'agricultural exceptionalism' and the 'state assistance paradigm' on which the CAP is said to be based. The essence of this idea and the set of goals and practices it has become embedded in is that agriculture as a sector with special characteristics needs special policies built around state intervention and 'assistance'. As a policy paradigm it has first been institutionalized in the Treaty of Rome which provided for the establishment of a Common Agricultural Policy along its lines. Notably, this kind of policy runs counter to market liberalism and free trade, the ideas behind and the goal of the WTO and its predecessor, the General Agreement on Tariffs and Trade (GATT).

One of the implications of the prevalence of agricultural exceptionalism among policy makers – not only in Europe but other Western countries - was that for a long time agriculture was largely left out of the multilateral trade negotiations within the GATT. There, exceptional treatment for agricultural goods had even been institutionalized (Pollack, 2003; Daugbjerg & Swinbank, 2008). The US managed to put agriculture on the GATT agenda in the Kennedy Round (1964-1967), with the objective of changing pre-emptively the Common Agricultural Policy the European Communities (EC) had agreed to set up. The EC objective, however, was that – once the member states had found a common position on and conceived the CAP – the policy would be defended and shielded from foreign markets (Meunier, 2005). The EC ultimately managed to set up the CAP and defend it so that the round was seen as a failure for the US.

The first major CAP reform of 1992 can largely be ascribed to pressures from the GATT Uruguay Round negotiations (1986-1994). It was not, however, accompanied by a paradigm shift away from state assistance as was the case in the US (Skogstad, 1998). Rather, an adjustment or differentiation of the CAP paradigm took place so that it included market as well as social and environmental objectives (Coleman, 1998). With the 1992 reform, the EU succeeded in defending the core goals of its agricultural policy by adjusting it to external as well as internal demands. This broke the deadlock it had caused in the Uruguay Round. The CAP reform was one of the important factors for achieving an Agreement on Agriculture and for the round to be concluded.

Arguing in this line, in the Doha Round which started at the end of 2001 the EU would again defend the status quo of the CAP or try to reconcile its policy with the pressures from its trading partners in a way that still fits the state assistance paradigm. The analysis aims at showing whether this is indeed the case and in how far the EU caused problems and delays in the negotiations by defending the status quo of the CAP or making it 'WTO-compatible'. It is argued that ideas held by the policy makers constitute the basis for defensive EU behaviour. Added to this, the power of interests and institutional constraints create and reinforce a sort of path dependence. Together, all three safeguard state assistance as the basis of the CAP and so limit rational bargaining of the EU in the WTO to some extent.

The thesis will proceed as follows. In the first part, the theoretical background of the thesis and the hypothesis will be specified. The impact of ideas on policy and through their incorporation into a policy paradigm will be outlined, and the conditions under which these change or persist. It will be shown how interests and institutions also have an impact on policy-making and the preferences of political actors, and that all three factors can best be looked at together when analysing the development, endurance or change of a policy paradigm. After that, a short account of the GATT Uruguay Round will follow. Referring to the vast literature on this event, it will be described how the state assistance paradigm endured the round despite much pressure, and how ideas - supported by the demands of interests and locked in by institutions - contributed to this.

On the basis of this, a more detailed version of what is to be expected in the on-going Doha Round can be given. It will be assumed that the EU will once more try to defend its approach to agriculture and make adjustments to its Common Agricultural Policy if necessary, but that these adjustments will still be informed by the idea of agricultural exceptionalism and the state assistance paradigm. To test this claim, the Doha Round will be analyzed from an EU point of view, divided into four parts that constitute different phases of the negotiations. For each phase, an overview of the agricultural negotiations will be given to provide a first indication on whether the EU behaves in the way anticipated. Then, the reasons underlying EU behaviour will be analyzed, with regard to the role of ideas, interests and institutions. In the conclusion, the results will be summarized and related to the research question and the hypothesis.

2. The EU in multilateral trade negotiations: interests, institutions and ideas

In order to generate an explanation for EU behaviour in agricultural trade negotiations and problems that the EU is said to be causing, three factors and with them three theoretical schools need to be looked at: interests, institutions and ideas. Each of them can influence policy-making and the preferences of political actors, in general and for the specific case of agriculture. It will be argued that all of them and their interactions should be considered in an analysis that draws on the concept of policy paradigm. This account will allow for a closer look at the paradigm underlying the EU approach to agriculture and its endurance in the GATT Uruguay Round. This in turn will enable a specification of the hypothesis and line of argument to be tested later on for the case of the Doha Round.

Interests, Institutions and Ideas

Interests, institutions and ideas have been found to influence the preferences of political actors and can therefore constitute possible constraints to rational bargaining for the EU, in internal discussions on the CAP as well as in international negotiations on agricultural trade in the context of the WTO. It will be shown that they all play a part with regard to the concept of policy paradigm that is central to the hypothesis.

Economic interests have been ascribed a special role in determining policy preferences, for example in Moravcsik's theory of Liberal Intergovernmentalism (Moravcsik, 1998). He stresses the importance of economic gains from European cooperation and the role of sectoral interest groups, especially producer groups. In his account of the establishment of the CAP in the 1960s he also points to the influential role of the well-organized farm lobby. Frieden (1989) built a whole theory around the power of interest groups, asserting that their character and "patterns of cohesion and conflict" determine the economic policies of a country.

Keeler (1996) specified the factors that constitute the special strength of agricultural interests on national as well as EU level, focussing on its "asymmetrical interest, extraordinary organization, and remarkably biased enfranchisement". He points to the fact that the farm lobby comprises more than just farmers; that consumers and taxpayers are not necessarily opposed to agricultural subsidies; that farmers gain more from the CAP than consumers lose and the success in communicating this view; and the number, membership density and unity of farm organizations at both EU and national level. Others have brought forward these or similar arguments. One central observation is that agricultural interests pressing for rather protectionist policies are far better organized than the groups that have to bear the costs of these policies, most notably consumers and taxpayers (e.g. Daugbjerg, 1999; Nedergaard, 2006; Nugent, 2006). This can be ascribed to low organizational costs compared to the high benefits for the farming community (Nedergaard, 2006). All this ensures political influence for the agricultural lobby.

Keeler (1996) also argues that there is an institutional bias of the EU two-level system towards agricultural interests. He points to policy legacy, EC decision rules, bargaining dynamics and bureaucratic interests at the EU level and privileged group-state relations, electoral power and ties with governing parties at the member state level. Institutions are indeed another factor that shapes agricultural policy in the EU, as venues for agricultural interests but also out of their own set up. The school of historical institutionalism which focuses on the effects of institutions over time is of particular importance in this regard. It designates institutional design as 'sticky' and past institutional choices as "shaping and constraining actors later in time" (Pollack, 2004). Pierson (2000) demonstrated that the economic concept of 'increasing returns' can be used to understand also the area of politics. It refers to processes that have increasing *relative* benefits and exit costs over time (Pierson, 2000). Such processes can be found in politics relating to collective action, institutional development, the exercise of authority and social interpretation which bring about 'path dependence', the difficulty of exiting a policy path once entered. This is intensified by short time horizons and the strong status quo bias of political institutions. Similarly, Schmidt (2002) argues that 'policy legacies', either in their substantive content or regulatory structures and processes, determine a country's ability to change policies in times of crisis. In relation to the CAP and agricultural trade policy this suggests that the EU's approach to agriculture and the CAP may have become 'locked in' over time, e.g. by its institutional features like seeking unanimity in decision-making and its constitutionalization in the Treaty.

The third factor that is said to shape policies and preferences of political actors at a general, and EU agricultural policy and its external dimension at a special level, is ideas. Skogstad (1998) defines them as “mental constructions that encapsulate common beliefs and valued norms” and asserts that they underpin all policies. According to Hall (1993), “policy makers customarily work within a framework of ideas and standards that specifies not only the goals of the policy and the kinds of instruments that can be used to attain them, but also the very nature of the problem they are meant to be addressing”. He refers to this interpretative framework that is built around an idea as ‘policy paradigm’. Building on these definitions, literature that stresses the role of ideas and paradigms in European agricultural policy has emerged, revolving around the idea of ‘agricultural exceptionalism’ and the ‘state assistance’ or ‘developmental’ paradigm that characterizes the CAP.

Hall (1993) distinguishes between ‘normal policy-making’ as entailing incremental policy changes like adjustments to levels of benefits and policy instruments while retaining the policy paradigm, and ‘paradigm shift’ as a radical change also in policy goals or their hierarchy. Occasions on which such shifts can occur are in times of crises, when events anomalous to the prevailing paradigm take place (Hall, 1993) and when the underlying principles of the paradigm are not consistent with real world developments anymore and policy failures occur. In such situations, paradigms can survive “if they can be shored up by policy reforms that incorporate new, sympathetic goals and bases for support. If they cannot [...] the window opens for new ideas.” (Skogstad, 1998). Another way of speaking about ideas is the concept of ‘discourse’, which comprises ideas as well as their communication to the general public. As such it can be used to “change perceptions of [...] policy preferences” (Schmidt, 2002) and therefore bring about policy change.

Scholars of the role of ideas on policy note that ideas can rarely be shown to have independent effects on policy (Skogstad, 1998; Coleman, 1998; Schmidt & Radaelli, 2005). Rather, they are ascribed explanatory power in their interactions with interests and institutions. Often ideas become important to policy making when well placed interests embrace or manipulate them for their gain, and when they become institutionally embedded (Goldstein & Keohane, 1993; Skogstad, 1998). This may reinforce them and provide them with a ‘protective belt’ so as to ensure their endurance in the form of a policy paradigm. Ideas embedded in a coherent policy paradigm provide policy makers with some autonomy from societal interests, or at least provide guidance as to which demands the state should be open for and which groups it should resist (Hall, 1993). In the case of the CAP that would mean that the idea of agricultural exceptionalism embedded in the state assistance paradigm ‘legitimizes’ the responsiveness of the EU policy makers to the demands of farmers which in turn ensure the continuance of the paradigm. On the other hand, an idea or paradigm can persist even when the power or preferences of those – politicians or interests – who gave rise to and supported it have changed; not necessarily, however, for the sake of the idea as such but because of its institutionalization in a policy (Coleman, 1998; Goldstein & Keohane, 1993) and resulting path dependence. Hall (1993) nevertheless sees room for ideas within a policy paradigm as having a “status somewhat independent of institutions that can be used [...] to bolster or induce changes in institutional routines”.

Defending the CAP and the State Assistance Paradigm – the Uruguay Round

Having outlined three factors important to the concept of policy paradigm, it is reasonable to look at the paradigm underlying European agricultural policy again in more detail, and with regard to the much discussed case of the GATT Uruguay Round. Regarded by many as a

turning point in European agricultural policy, it is likely to have set the stage for the EU approach to the Doha Round and therefore needs a closer look, also to illustrate the workings of ideas, interests and institutions as explanatory factors.

The idea or belief that agriculture is special and therefore special agricultural policies are needed to support farming and farmers is a quite old one. According to Skogstad (1998), two rationales are important to explain (past) government decisions to treat agriculture in exceptional ways. Firstly, farmers have special interests and needs, since different aspects of their activity – like unstable weather and market conditions - place them at a disadvantage regarding their income. Secondly, agriculture serves national or public interests such as a secure and stable food supply. The market alone is found to not adequately reward farmers and allow them to work in the national interest. Therefore, many Western governments set up special agricultural policies based on state intervention in the market, supporting the income of farmers, and other instruments protecting, regulating and extending their agricultural sectors (Skogstad, 1998). Skogstad characterizes the policies developed in this context as informed by the ‘state assistance paradigm’. The Common Agricultural Policy of the European Union, set up in the 1960s, is one of them, and it was originally informed by both rationales mentioned above. The Treaty of Rome explicitly draws on the “particular nature of agriculture” and – among others - sets out the goal of “ensuring a fair standard of living for the farming community”.

The ‘time of crisis’ which could most likely have induced a change of policy paradigm was during the GATT Uruguay Round (1986-1994), when the CAP came under fire both internally and externally. Internally, the CAP and its price support instruments were criticized for inducing overproduction and eating up the Community budget, and it had also become associated with negative environmental consequences. Externally, it was criticized – especially by the US and the Cairns Group of agricultural exporters - because of its negative protectionist and trade distorting effects on the world market and the EU’s trading partners. In the first four years of the Uruguay Round negotiations, the EU had as its priority the continuation of the CAP in its existing form (Grant, 1997; Daugbjerg, 1999). Also on matters of market access and the use of export subsidies it took on a rather defensive position which clashed with the demands of the US. Altogether this led to a deadlock and collapse of the negotiations (Coleman & Tangermann, 1999).

As the negotiator of trade agreements on behalf of all EU member states, the Commission came to realize that a completion of the round would not be possible without substantive CAP reform; moreover, such reform was found necessary because the CAP was failing to meet some of its objectives at that time (Daugbjerg, 1999; Grant, 1997; Pollack, 2003). Instead of abandoning the highly inefficient and problematic policy and with it ‘state assistance’ and the idea of agricultural exceptionalism enshrined in the CAP, however, the Commission succeeded in finding ‘new sympathetic goals and bases for support’. In the CAP reform that was agreed in 1992, a less trade distorting policy instrument was introduced to support farm income. Direct payments to farmers decoupled from the amount of production replaced a part of the price support measures that had formed the core of the CAP until then. Furthermore, a renewed social rationale of the CAP was promoted. It depicts farmers as ‘*protectors and gardeners of rural landscapes*’ (Coleman, 1998), serving the public good of a sustainable rural development, in an environmental and demographic way. The evidence gathered from Skogstad’s (1998) interviews with Commission officials, representatives of member states and agricultural interests stresses especially this rationale as informing the continuing support for the idea of agricultural exceptionalism. The belief in agricultural exceptionalism and its

two basic principles had therefore continued among policy makers and survived the crisis, with adjusted instruments and reasoning.

As became clear in the previous section, ideas and paradigms do not rest on themselves and can only seldom be ascribed explanatory powers on their own; they are shaped, underpinned and reinforced by interests and institutional frameworks. Both of these factors help explaining the CAP and its endurance as a policy resting on the state assistance paradigm.

Agricultural interest groups have often been depicted as powerful actors in policy-making (see e.g. Keeler, 1996; Patterson, 1997; Nugent, 2006; Nedergaard, 2006). Also during the Uruguay Round and the run-up to the CAP reform they raised their voice. COPA, the largest European umbrella organization of national farm interests, was willing to accept only incremental adjustments to the existing policy; it also opposed the Commission plan of switching to direct subsidies, just as most national farmers' associations (Daugbjerg, 1999, 2003). Accordingly, the original Commission proposal for reform became watered down to some extent, but not its core provisions.

Altogether, however, the farm lobby became more marginalized in the agricultural policy community of the EU since the inclusion of agriculture into the Uruguay Round (Grant, 1997). When conceiving and enacting the 1992 reform, the Commission - and later also the member states - acted somewhat independent of the demands of the farm lobby, but were still guided by the idea of agricultural exceptionalism and the original goals of the CAP that they shared with the farmers. With a rather moderate reform *within* the state assistance paradigm the Commission and members of the Council demonstrated their willingness to secure the CAP in the long-term. This assured them continued support from the side of the farm lobby. Moreover, the stressing of social and environmental rationales and the prospect of alleviating the problems associated with the pre-reform CAP appealed to other parts of the European public (Skogstad, 1998).

As far as institutional features are concerned, the endurance of the state assistance paradigm has been attributed to its permanent 'constitutionalization' into the Treaty of Rome whose provisions are difficult to change for the EU member states. Next to this, Skogstad (1998) refers to the dominance of the Council of Ministers, the frequent use of unanimity, the strong organization of the farmers at national level, their often 'neo-corporatist' relations with the governments, and the 'permanent bureaucracy' at EU level as institutional features that have 'locked in' the CAP and the ideas it continues to represent. Daugbjerg (1999) stresses the impact of many 'veto points' within Council and Commission that permitted only moderate reform in 1992, trying to accommodate the interests of all member states and the Commission. French opposition and its threat to veto the final GATT agreement also forced the EU and US to renegotiate the crucial 'Blairhouse' deal in favour of a more defensive EU position (Meunier, 2005).

Other factors associated with the endurance of state assistance beyond Uruguay are the feedback effects of the all-encompassing nature of the CAP instruments which promote solidarity within European the farming community, and the good fit of the CAP with the overall ideational and normative EU framework that is traditionally open and used to statist attempts to regulation and assistance (Skogstad, 1998).

Altogether therefore, the idea of agricultural exceptionalism continued to form the basis for the CAP also after the reform of 1992 and the Uruguay Agreement on Agriculture of 1994. The surrounding policy paradigm had been adjusted by the policy makers in a way as to ensure its continuance while responding to external pressures and maintaining internal

support. These internal reform measures and the EU's subsequent willingness and ability to compromise to some extent on issues of agricultural trade liberalization were decisive for the conclusion of the Uruguay Round. Before, the EU was the one causing deadlock in the negotiations.

The behaviour of the EU can best be characterized as 'limited rational'. Commission and member states had realized the need for a change and also executed it but were not willing to abandon an idea enshrined in a paradigm that required them to retain a policy that was costly and problematic in some respects. This support for the idea of agricultural exceptionalism on the side of the policy makers had persisted over time, certainly helped by past conservative demands of interests and the lock in by institutional features. During the actual negotiations of the Uruguay Round, both again seem to have added to the attitude of the policy makers and made sure that the CAP did not depart too much from its traditional policy path. Together therefore, all three factors – ideas, interests and institutions - can be said to have helped to protect and sustain the CAP and the state assistance paradigm.

Hypothesizing EU behaviour in the Doha Round

The Uruguay Round can be depicted as the first occasion in the history of the CAP at which a radical change of policy and of the underlying paradigm could have occurred due to internal as well as external pressures. There was no radical change of policy, however, since the state assistance paradigm persisted as basis of the CAP. Under Article 20 of the Agreement on Agriculture, the WTO members committed themselves to continue negotiations on agricultural trade liberalization one year before the end of its implementation period (WTO, 1994), therefore in 2000. This calls for an analysis of what happened in these negotiations and in the next round of multilateral trade negotiations which began at the end of 2001. Due to its rather moderate CAP reform the EU was likely to find itself again under pressure from its trading partners concerning the issue of agriculture.

During such a new 'time of crisis', the most 'rational' option for the EU would be to give in to the pressures of its trading partners and enact a 'paradigm change' away from 'state assistance' and its underlying idea of agricultural exceptionalism towards a more market oriented agricultural policy based on free trade. First of all, this would save lots of money – of the EU budget and the European taxpayers. Only the competitive, efficiently producing farmers with no need for support would stay in the market. Second, it would allow the EU to concentrate on its comparative advantage that nowadays rather lies in the production of industrial goods and the provision of services. Without having to protect its uncompetitive agricultural sector, the EU would be in a better position to pursue its offensive market access interests in these other domains.

However, with regard to the evidence gathered from past multilateral trade negotiations and the explanatory framework developed above, it can be assumed that the EU did not choose this most 'rational' option as its approach to agriculture during the next round of trade negotiations. The European policy makers' continued endorsement of the idea of agricultural exceptionalism would most likely provide the basis for continued support and therefore the survival of the CAP. Helped by the power and defensive position of the agricultural interests and institutions that can 'lock in' the status quo of the policy, the path dependence that seems to have emerged with regard to the EU approach to agriculture would be reinforced. So far this combination seems to have ensured the endurance of state assistance as the underlying paradigm of the CAP also in times of strong internal and external pressure, and therefore

contributed to the overall defensive stance of the EU in negotiations on agricultural trade liberalization.

It is therefore more likely that also in the Doha Round the EU either vigorously defended the status quo of the CAP and its underlying paradigm or engaged in 'normal policy-making in the form of new adjustments to the CAP make it more 'WTO-compatible' while retaining state assistance as underlying paradigm. Especially the latter strategy would enable the EU to largely preserve its farm sector and structure while allowing it to move forward in the negotiations and having a better chance of enforcing its offensive interests in the other areas of the talks. That the EU indeed chose this 'limited rational' option becomes clear when having a closer look at what has happened during the Doha Round so far.

3. Analysing the Doha Round

An analysis of EU behaviour in the Doha Round requires the viewing of these negotiations as a three-level game. Mutual influences exist between what happens at the WTO level, the EU level as the level where European agricultural policy is made and the level of the EU member states which each have own policy preferences. The analysis therefore takes account of each of these levels where necessary. The course of the negotiations on agriculture is described, next to important developments within the CAP. Their interaction is analyzed, and an explanation for the EU behaviour in the Doha Round and the problems that occurred is sought by referring to the role of ideas, interests and institutions.

As for ideas, the focus is on how the CAP and agricultural trade liberalization in the Doha Round is viewed by the Commission since it is a main CAP policy maker as well as the EU negotiator in the WTO. It is looked at whether and how it motivates the importance of the CAP, its purpose and changes to it and whether this is still in line with the idea of agricultural exceptionalism and the state assistance paradigm. As for interests, their position and power to influence policy outcomes are subject to analysis. As for institutions, the focus is on the influence of decision rules and 'veto points' since they are easily recognizable as institutional constraints for EU action and have the potential of 'locking' the EU into a rather defensive position concerning its internal and external approach to agriculture.

To provide a more structured and nuanced account of the Doha Round, its course is divided into four phases. The first one comprises the failed attempt to launch a new trade round in 1999, and the run-up to the successful one at Doha in 2001. It is important to include this phase since in this period the EU – after another modest CAP reform - started to promote its special approach to agriculture also in the WTO which caused some trouble. The period from the launch of the Doha until the failed Cancun Ministerial constitutes the second phase of analysis. During this time, the views on agricultural trade liberalization continued to clash, although a substantial CAP reform made EU subsidies more WTO-compatible. The third phase comprises the Framework agreement of 2004 and the less successful Ministerial Conference of 2005. During this phase the EU moved forward the negotiations with an important concession on export subsidies but caused deadlock on market access. The last phase captures the developments of the most recent years, most notably the renewed failure of the negotiations in 2008. Here, the EU did not change much its position and stressed reciprocity in the negotiations within and outside the field of agriculture, however willing to make some more concessions in the event of a deal and to adjust the CAP accordingly.

The following table provides an overview of the structure and the most important findings of the analysis which is then presented in more detail for each phase.

	Ideas	Interests	Institutions	Outcome
The Way to Doha (1999-2001)	Agricultural exceptionalism as 'multifunctionality', 'non trade concerns'	Opposition to price cuts in Agenda 2000 reform; needed to be 'pacified' by compromise at Doha	French veto threat used water down Agenda 2000 reform, and to prevent change of negotiating mandate	Modest CAP reform, promoting 'multifunctionality' in the WTO, opposing extensive liberalization à failed attempt to launch a new round in 1999; successful launch at Doha
From Doha to Cancun (2001-2003)	Agricultural exceptionalism as 'sustainable agriculture'	Opposing changes to the CAP and the WTO negotiation mandate that go beyond Agenda 2000	delayed WTO offer; veto threat used to water down CAP reform	Substantial CAP reform makes domestic support 'trade friendlier'; reluctance to make concessions on market access and export support à failed Cancun Ministerial
From Cancun to Hong Kong (2004-2005)	'sustainable CAP' based on agricultural exceptionalism; quality as trade strategy	Opposition to EU's WTO concessions; Lack of involvement of countervailing business interests	French veto threat precludes further EU concessions before Hong Kong	Important concession on export support, but causing deadlock on market access à Framework Agreement but failure to agree on full modalities
After Hong Kong (2006-2008)	As before; need for CAP to preserve European agriculture; more emphasis on competitiveness and rural development	Farmers opposing more unilateral WTO concessions; still not much business interest	Veto threats by France and Ireland	EU not willing to change its last offer, but prepared to make further concessions and reform CAP again slightly in the event of a possible agreement on modalities à failed attempts to agree on modalities

The Way to Doha (1999-2001): False Start and Run-Up to a New Round

After two Ministerial Conferences in 1996 and 1998 and with regard to the ‘built-in agenda’ that prescribed further negotiations on agriculture and services to begin in 2000, the members of the WTO – the successor of the GATT - envisaged to launch a new round of trade negotiations at the Seattle Ministerial Conference that was scheduled for November 1999. The preparations were complicated, however, primarily because different views among WTO members existed on the issues that should be included in the ‘Millennium Round’.

The EU was the biggest advocate for the launch of a new round. It favoured a ‘comprehensive round’ to be approached as a ‘single undertaking’. It should address – next to agriculture and services – also competition policy, investment, industrial tariffs, consumer health, environment, development and government procurement (Commission, 1999; De Jonquieres, 1999). The US, on the contrary, wanted a round with only issues of market access at its core (Williams, 1999). Most developing countries did not favour a new round, arguing that they still had to cope with implementing the Uruguay Agreement and that they would not gain much from new negotiations.

Concerning agriculture, opinions also differed remarkably among the major players. The US and Cairns group envisaged big cuts in agricultural support and protection, their main target being the CAP and the treatment of agricultural goods like any others. The EU and Japan pressed for the recognition of the ‘multifunctional’ and therefore special role of agriculture (EC, 1999). This principal disagreement on agriculture was among the decisive factors that precluded the WTO members from reaching agreement on a draft text before Seattle. At Seattle then, a compromise on agriculture was said to be in reach but the meeting broke down amidst massive protests from NGOs and developing countries feeling treated unfairly.

Talks on agriculture nevertheless began in March 2000. The appointment of a chair was troubled by the EU and the talks started off slowly with positions unchanged. Demands for a new round were expressed again and it was proposed to launch it at the next Ministerial Conference that was scheduled for November 2001 at Doha, Qatar. In both the agricultural talks and those on the agenda for the new trade round, the EU continued to promote ‘multifunctionality’ and ‘non-trade concerns’ – especially trade and environment – to be part of the Doha agenda. Until the Ministerial itself it was not clear whether a new round could be launched at Doha or whether it was to become Seattle all over again. In the end, agreement could be reached on an agenda for the new trade round. As one of the last stumbling blocks, France had to be convinced to break its opposition to the proposed agenda on agriculture (De Jonquieres & Williams, 2001).

Different from the Uruguay Round, where CAP reform had been agreed in response to great pressure and after deadlock had already appeared in the negotiations, this time a CAP reform had been conceived *before* the launch of the new trade round, and even before the talks on its agenda began. Next to enabling the further implementation of the reduction commitments of the Agreement on Agriculture and preparing the CAP for EU enlargement, it was specifically meant to form the basis of the EU negotiating mandate for the next round of trade talks (Commission, 1997; De Jonquieres, 1999a; Williams, 1999a). In addition, legitimacy problems relating to the increasingly “negative image of the CAP in public opinion” needed to be solved (Commission, 1995). Enacted in March 1999 as part of the ‘Agenda 2000’ package, the reform contained further cuts in price support and partial compensation through increased direct payments to farmers (Ackril, 2000). Furthermore, the possibilities of ‘modulating’ the direct support and making it conditional on the compliance with

environmental standards were introduced, and a 'second pillar' of the CAP stressing rural development was created (Daugbjerg & Swinbank, 2007).

Anticipating future internal and external problems with its policy, the CAP had been adjusted in a way that took it further down the path that had been pursued with the 1992 reforms. As another instance of 'normal policy-making' this was meant to make the CAP less trade-distorting and provide some range for further liberalization while retaining state assistance as its underlying paradigm. The policy, however, did not find itself in a 'time of crisis' as serious as that of the Uruguay Round. Consequently, the Agenda 2000 reform turned out to be modest and not allowing for much liberalization of agricultural trade (Pezaros, 1999; Ackril, 2000; Daugbjerg & Swinbank, 2006, 2007). Altogether, the stance the EU policy makers took on in this phase can be characterized as defending the reformed CAP and promoting the 'European model of Agriculture'. With its call for an ambitious agenda and the stressing of non-trade concerns rather than commitments to further liberalization the EU largely isolated itself, and its persistence contributed to deadlock and almost failure of launching the new trade round of which it had been the biggest advocate in the first place.

The idea of agricultural exceptionalism can clearly be identified as guiding the Agenda 2000 reform as well as the EU position in the WTO during the period under consideration. The renewed social rationale for retaining state assistance in the agricultural sector that was first pronounced in connection to the 1992 reform was extended and communicated by the Commission - within the EU as well as in the WTO context - as the 'European Model of Agriculture' or the 'multifunctionality' of agriculture in Europe. Its essence is that agriculture is not only about the production of food, but doing so in ways that ensure the quality and safety of products, the welfare of animals, the protection of the environment, the diverse countryside and the vitality of rural regions (Commission, 1999; Commission, 1999a; Council, 1999). To provide these public goods and keep high standards while staying competitive, farmers need to be compensated. Wrapped up in this discourse, the EU tried to stress and spread the idea of agricultural exceptionalism in the WTO, in order to 'legitimize' its still protectionist agricultural policy. In the form of the alleviated notion of 'non-trade concerns' it also made its way into the Doha Declaration. Internally, it was also meant to regain the support of consumers, which had become more concerned about e.g. food safety due to the BSE crisis.

Agricultural interest groups naturally shared the belief in agricultural exceptionalism, and they embraced the rationale of a multifunctional agricultural sector and the need for strengthening it (COPA-COGECA, 1999; FNSEA, 2001). Farmers all over Europe were generally opposed to the Agenda 2000 reform with its price cuts that came at a time when prices were already low (Smith, 1999) and resorted to direct action. Governments were divided, with France – pressured by its protectionist and powerful farm lobby and upcoming elections – being the biggest opponent of reform. President Jacques Chirac ultimately succeeded in pressing for much less price cuts than originally sought (Ackril, 2000; Barber & Mann, 2001; Swinbank & Daugbjerg, 2006). Agricultural interests warned that farmers needed adequate returns for performing their social functions (COPA-COGECA, 1999) and insisted that any EU concessions in the agricultural negotiations should not cross the red line of what had been agreed in the Agenda 2000 reforms (FNSEA, 1999, 2000, 2001a; COPA-COGECA & FNSEA 2000). At the Doha Ministerial, the last-minute change of the wording on export competition in the Doha Declaration had been negotiated mainly to 'pacify the farm lobby' and the French government (Mann, 2001). By removing the commitment to the goal of completely eliminating trade distorting export subsidies, it reinforced the EU's defensive stance.

The role of institutions in this phase can be illustrated by two points. First, CAP reform as well as the negotiating mandate that prescribes the EU position in WTO negotiations and the conclusion of trade agreements formally require ‘only’ the approval of a qualified majority of EU member states, but in practice consensus is sought – or at least the approval of the biggest member states which hence have a ‘de facto’ veto. The Agenda 2000 reform could therefore be watered down substantially by those countries - notably France - that opposed it. This left the Commission with less scope for liberalization or the negotiation thereof than it had originally sought. Additionally, its conclusion by the European Council as one part of the bigger Agenda 2000 package contributed to its rather modest nature (Daugbjerg & Swinbank, 2007). Second, the difficulty of changing the negotiating mandate of the Commission - once it had been agreed upon with difficulty - precluded the Commission from adopting a more cooperative stance on agriculture before the Doha Ministerial (De Jonquieres, 2001). Both of these veto points seem to have ensured that the CAP reform made only modest changes to the status quo, and that the EU position in the WTO remained defensive also under increased pressure. Path dependence of the EU approach to agriculture was therefore increased by institutional requirements, which helped the persistence of the idea of agricultural exceptionalism and the state assistance paradigm.

To sum up, the persistence of and insistence on the idea of agricultural exceptionalism by the European policy makers - wrapped up in the notion of ‘multifunctionality’ and the ‘European model of Agriculture’ - have been important in informing the EU position in the run-up to a round of new multilateral trade talks. The position and influence of interests as well as institutional features that allow only for incremental change were additional factors that contributed to an only modest adjustment of the CAP and an EU position in the WTO that was characterized by the desire to promote the ‘European model of Agriculture’ rather than engaging in substantial liberalization of agricultural trade.

From Doha to Cancun (2001-2003): The Search for Modalities Begins... and Fails

The ‘Doha Development Round’ was officially launched on the 14th of November, 2001. It was especially set up with the objective of furthering development and taking into account the needs of developing countries. In the Ministerial Declaration, the member countries committed themselves to pursue the agricultural negotiations with the ultimate goal of “[...] substantial improvements in market access; reductions of, with a view to phasing out, all forms of export subsidies; and substantial reductions in trade-distorting domestic support“. Additionally, “special and differential treatment for developing countries” was meant to be an important part of anything to be negotiated (WTO, 2001). EU Trade Commissioner Lamy immediately made clear that agriculture was going to be a “tough point” for the EU, but that it was ready to “advance substantially on Article 20”(EC, 2001).

The Doha Declaration laid down the deadline of 31 March 2003 for the establishment of so-called ‘modalities’ (i.e. numerical targets and formulas) for the commitments to be achieved in the agricultural negotiations, so that concrete proposals and schedules could be submitted until the September 2003 Ministerial Conference in Cancun. The EU issued its proposal at the beginning of 2003; its offer included an overall reduction in agricultural tariffs of 36%, a 55% reduction of the most trade distorting subsidies and a 45% cut in export subsidies, with the possibility of phasing them out completely for certain products of importance to developing countries. It also stressed the importance of non-trade concerns (EC, 2003). This was not enough for countries like the US and the Cairns Group who demanded the complete

elimination of export subsidies, and much bigger cuts in domestic support and tariffs (Williams, 2002). The deadline for establishing modalities was not met due to the failure to reach agreement on the compromising draft that had been made by the chairperson (WTO Secretariat, 2004).

In June 2003, the EU agreed on a substantial reform of the CAP which enhanced its negotiating position on domestic support and presented an important contribution to the Doha Agenda (Commission, 2003). It now expected its trading partners to reciprocate (Council, 2003). Shortly before the Cancun meeting, the EU and US tried to ease the deadlock by submitting a joint proposal which covered the most important aspects of the negotiations. At Cancun, however, agreement could be reached neither on this or other framework texts nor on the compromise text by Ministerial chairman Derbez. Overall, a strong divide between developed and developing countries became clear, and the latter became “real players” (Anania & Bureau, 2005). With the ‘G20’ (among which India and Brazil), a powerful party emerged in the negotiations, demanding much liberalisation from the developed countries and strong special and preferential treatment for developing countries. The Cancun Ministerial eventually broke down over the North-South division, on agriculture and other issues.

After its success at the Doha Ministerial of putting non-trade concerns on the agenda and avoiding a commitment to explicit goals of trade liberalization, in the phase from Doha to Cancun the EU kept to its rather defensive stance on agriculture. Quite late in the negotiations it issued a proposal for modalities too modest for many of its trading partners. Still being the world’s biggest agricultural subsidiser, it was soon blamed for the deadlock in the negotiations which – since agriculture was believed to be the ‘most contentious’ issue on the Doha Agenda (Alden & Dombey, 2002; De Jonquieres, 2003) - put in danger the result of the Cancun Ministerial and the progress of the whole round. In 2003, therefore all eyes were on the EU and it was urged to make a further move on agriculture (Buck & De Jonquieres, 2003), which it eventually did in the form of internal reform. Its enhanced negotiating position then allowed it to team up with the US. Ultimately, this did not bear the desired result since their joint position clashed with that of the much more demanding developing countries at Cancun, where many issues came together and led to the breakdown of the meeting.

Further CAP reform had already been envisaged in the Agenda 2000 package which prescribed a ‘mid term review’ of the measures enacted in 1999. Conceived as a possibility for technical adjustments, it turned into the rather substantive reform of 2003. The core provision of the reform was a change in policy instrument that was meant to complete the “shift from product to producer support” (Commission, 2002). It introduced the fully decoupled ‘Single Farm Payment’ for a number of commodities which was made conditional on ‘cross compliance’. Furthermore, it provided for some ‘modulation’ of direct payments to the rural development pillar of the CAP, and made some changes to the policy’s market regimes (Council, 2003a; Swinbank & Daugbjerg, 2006).

While Agriculture Commissioner Fischler initially justified the need for radical reform with the upcoming eastern enlargement and concerns of the European citizens as to the policy’s effectiveness (Commission, 2002), its contribution to the ongoing WTO negotiations became a main focus of the Commission argument later on as the outside pressure on the EU to break the deadlock in the negotiations increased (Commission, 2003a; Council, 2003; Buck, 2003). This was because the ‘Single Farm Payment’ would shift a great amount of CAP subsidies to the ‘green box’, the category labelled as non- or only minimally trade-distorting by the WTO and therefore permissible without limits. Eventually, therefore, the Commission – having anticipated the growing external pressures – managed to pass another reform that did not

amount to a 'paradigm shift' and kept intact the principle of state assistance and the 'European model of Agriculture'.

Agricultural exceptionalism continued to guide the EU in its internal and external approach to agriculture in this phase of the Doha Round. The idea and its underlying rationales formed an integral part of the EU's reasoning with regard to its position in the WTO and the 2003 reform. The Commission did not get tired of stressing the specialness of agriculture and its value beyond mere production, thereby justifying and backing up its and the whole Union's continued support for an agricultural policy based on state assistance (e.g. Commission, 2002a, 2002b; 2003a). The notion of 'multifunctionality' that had been at the core of the European discourse on agriculture during the previous years had partly given way to that of a 'sustainable' agricultural policy which should pursue economic, social and environmental objectives (Commission, 2003a; Council, 2003). This was reflected internally in the CAP reform proposals that envisaged subsidies made conditional on environmental and other standards and a strengthening of the rural development component, and externally in the Commission's continued commitment to non-trade concerns such as the environment.

Agricultural interests were opposed to both the substance and timing of the reform proposed by the Commission. They argued that it undermined the Agenda 2000 which had been meant to form the basis of the CAP until 2006, that it complicated the enlargement process, that it did not present the right negotiation strategy in the WTO and would place the EU at a disadvantage vis-à-vis the US which had just re-introduced a trade-distorting subsidy regime (COPA-COGECA, 2002, 2002a, 2003; FNSEA & DBV, 2002). Before Cancun, COPA urged the European authorities to defend the 'European model of Agriculture' and preserve Community Preference as an important element of the CAP (COPA-COGECA, 2003a). No direct evidence is available as to how this opposition affected the European policy makers. Fact is, however, that the original Commission proposals for CAP reform became watered down to a great degree until they were adopted, thanks to countries traditionally responsive to their agricultural lobby. Furthermore, despite increasing pressure from outside, the Commission did not move from its initial offer on market access and export subsidies in the WTO.

Features of institutional path dependence in the form of 'veto points' can again be said to have 'locked' the EU even further into its overall defensive position on agriculture. Initial opposition from France and Ireland delayed the Commission in putting forward its proposal on modalities for the agricultural negotiations (De Jonquieres, 2002; Buck, 2003a). More importantly, the final agreement on CAP reform became watered down especially by France. It threatened to veto the Commission proposal that already formed a compromise between the original vision of the Commission and member state objections and by doing this it achieved less price cuts and the option of keeping part of the subsidies coupled for the benefit of its farmers (Daugbjerg & Swinbank, 2007; Buck, Dombey & Parker 2003; Financial Times, 2003).

In summary, EU behaviour in this first phase of the Doha Round was still informed by idea of agricultural exceptionalism that the Commission held up as the basis of the CAP and the EU approach to agriculture. Like in the Uruguay Round, it had adjusted the policy with a view to making it externally acceptable and allowing for the continuation of the trade round while avoiding a paradigm shift away from state assistance and securing the CAP in the long term. In addition to the persistence of the CAP's underlying idea with the policy makers, the status-quo bias of interests and several governments - facilitated by institutional lock-in - help explain the EU's overall defensive stance on agriculture from Doha to Cancun.

From Cancun to Hong Kong (2004-2005): Progress and Deadlock

After the Cancun failure, the talks were officially ‘discontinued’ and resumed only in March 2004 (WTO Secretariat, 2004). US Trade Representative Zoellick affirmed the US commitment to move on in the negotiations and its willingness to negotiate on all issues. The optimism within the WTO grew and achieving a “framework” for modalities by the end of July was envisaged. Market access was seen as the most difficult issue to be negotiated on (WTO Secretariat, 2004). In May, the EU expressed its willingness to offer the elimination of all its export subsidies and to drop three of the four ‘Singapore issues’ which had troubled the negotiations at Cancun (Commission, 2004). This constituted a big concession towards the developing countries and the US. In return, the EU demanded from others similar concessions in the areas of export competition and domestic support (Commission, 2004a).

In July 2004 after a series of negotiations, a ‘Framework Agreement’ on modalities could indeed be achieved. It established the key features of future modalities but lacked detail and quantified commitments for agricultural trade liberalization (Anania & Bureau, 2005). The most important progress was the commitment to eliminate all forms of export support. Also a substantial reduction of domestic support and tariffs was agreed, however lacking concrete conditions and leaving room for ‘flexibilities’ and ‘sensitive products’. Least developed countries (LDCs) should be exempt from all reduction commitments and be granted duty and quota-free market access to all Member Countries “in a position to do so” (WTO, 2004). The Framework Agreement seemed to be the first step towards an overall agreement, but many points were left for discussion.

The task was now to negotiate “full modalities” until the Hong Kong Ministerial of December 2005 (WTO Secretariat, 2004). By August, however, the agricultural negotiations were “stalled”, primarily on market access (WTO, 2005). Next to the difficulty of agreeing on the formula for tariff cuts, the EU and US blamed each other for the deadlock and called upon the other to move first. While the EU was repeatedly accused of blocking the whole round due to its reluctance to offer meaningful cuts in agricultural tariffs, it demanded from the US a further move on domestic subsidies and from the advanced developing countries a good deal on market access in industrial goods and services before considering any further concessions (Beattie, 2005; Williams, 2005). The US tabled a new offer in October 2005, including large tariff cuts, subsidy cuts and tightened rules on controversial food aid. It met some key demands of the EU, whose counter-offer was, however, more modest and angered the US as well as the G20. Both proposals were criticized by the Cairns group for not offering enough ‘real cuts’ (Beattie & Minder, 2005).

Due to these striking differences between the main negotiating parties, the goal of establishing full modalities at Hong Kong could not be met. It was, however, decided to eliminate export subsidies by 2013, and LDCs were granted duty and quota-free access of (agricultural) goods to developed countries’ markets (EurActiv, 2006). On domestic support and market access, not much progress was made. Also a debate on geographical indications for agricultural products did not produce a result. April 2006 was set as the new date for arriving at full modalities (WTO, 2005a).

EU behaviour during 2004 and 2005 varied remarkably. On the one hand, by putting all export subsidies on the table, it made a concession which - in the form of the 2004 Framework Agreement - substantially contributed to the biggest progress made so far in the round. On the other hand, its reluctance to fix a date for the elimination of its export subsidies and to offer substantial tariff cuts were causes of severe deadlock. This precluded substantial

progress before and at the Hong Kong Ministerial, also in the other areas of the negotiations. The EU's overall defensive stance was underlined by the frequent stressing of its concessions already made - also in market access where it praised its openness to developing countries -, and the call for something meaningful in return from its trading partners, in agriculture but also concerning industrial market access and services where the negotiations so far had not produced much results (Commission, 2005d; 2005a; 2005i).

Internal agricultural reform in the EU also continued in this phase, along the plan of bringing those commodity regimes in line with the 2003 CAP reform that had been spared so far. In April 2004, the cotton, olive oil, tobacco and hops sectors were integrated into the 'new' CAP. In 2005, the target was sugar - the most protected and trade-distorting sector of the CAP - where change was required with regard to the EU commitment of eliminating all export subsidies, that of opening its market for sugar imports from LDCs, and a challenge before the WTO dispute settlement body which threatened part of the commodity system and eventually declared it illegal (Buck, 2004; Beattie, Minder & Williams, 2005). All reform measures were enacted with a view to securing the CAP in the long term and enhancing the EU's position in the WTO (Commission, 2005g).

In its rhetoric and action the Commission continued to promote the idea of agricultural exceptionalism as part of a European Model of Agriculture built around economic, environmental and social sustainability. It stressed the EU's commitment to the CAP and its continuance as a policy based on state assistance in the form of income support to farmers (Commission, 2004b; 2005b; 2005c; 2005j), albeit now in a non trade-distorting way so that the actual amount of subsidy should be of no concern anymore. The post-reform CAP was presented as enabling European farmers to provide the public goods that the citizens were demanding next to allowing more market orientation concerning the private goods they produce. With its strong emphasis on standards and the conservation of traditional farming structures, the new CAP was geared especially towards the production of high quality goods (Commission, 2005h; 2005j). The Commission discourse around sustainability had therefore evolved into a trade strategy with quality at its core.

As a consequence of this strategy, the EU repeatedly pointed to the importance of protecting geographical indications through WTO rules (Commission, 2005k; 2005i; 2005f; 2005e; 2005a), a topic which was not well received by many of its trading partners and where ultimately no progress could be achieved. Overall, the elimination of export support and the cutting of trade-distorting domestic subsidies presented no big problem for the EU thanks to the reformed CAP (Commission, 2004a; 2005). Substantial tariff cuts, however, were perceived as a threat to European farming also under the new CAP, and consequently the Commission remained defensive in this regard and insisted on a 'realistic' and 'balanced' solution based on the designation of a number of sensitive products that would not be subject to tariff cuts and therefore guarantee continued European production (Commission, 2004c; 2005i; 2005f; 2005c; 2005b).

Not surprisingly, agricultural interests in the EU remained largely opposed to much the Commission was offering in the WTO during 2004 and 2005. COPA, backed by the French government, accused the EU offer to end all its export subsidies for going too far while receiving nothing in return of its reform efforts (Farmers Guardian, 2004). It accepted, however, the Framework Agreement since it 'protected the multifunctional role of European agriculture' by recognizing the non-trade distorting nature of EU subsidies (Wright, 2004). Before Hong Kong, European farmers and several governments again accused the Commission for putting too much on the table and exceeding its negotiation mandate (COPA-

COGECA, 2005; 2005a). On the opposite side, business interests – although getting more active before Hong Kong - did not show much interest and support for the negotiations, and were therefore blamed by observers and even the EU Trade Commissioner as ‘failing to provide countervailing pressure to protectionist agricultural lobbies’ (Alden et al., 2005).

As for governments, especially France - under pressure from its farmers and with elections coming up in spring - strongly opposed the European offers on tariff and subsidy cuts, openly accused the Commission of overstepping its mandate and threatened to veto any trade agreement that would go beyond the 2003 CAP reform (Arnold, Beattie & Eaglesham, 2005; Williams, 2005a). Since unanimity among member states is required to conclude the Doha Round, this presented an institutional feature with the potential of ‘locking in’ the status quo of European agriculture and keeping an even more defensive stance in the WTO.

Pressure from interests as well as veto threats from France in the end did not stop the Commission from improving its offer on subsidy and tariff cuts shortly before Hong Kong, but it probably prevented it from making further concessions in the contentious area of market access which could have led to a more successful meeting. Therefore these two features, added to the unchanged ideational foundation of European agricultural policy, can be said to account for the overall EU position in this phase.

After Hong Kong (2006-2008): Still no Breakthrough

After Hong Kong, the main parties expressed their continued commitment to the Doha Agenda, but positions had not changed. The EU made clear that it would not revise its latest offer, unless it would get something meaningful in return, concerning industrial tariffs and services (Commission, 2006; Commission, 2006a), in particular from countries such as Brazil and India (Commission, 2006b). The US re-stated its unwillingness to cut farm subsidies unless the EU and others were offering substantial market access. The G20 in turn wanted the US to move first on farm subsidies before they were willing to make any concession on market access. The deadline for modalities was again not met, and the talks were suspended on 24 July 2006, after a meeting between Australia, Brazil, the EU, Japan, India and the US broke down because “[...] the gaps remained too wide” (WTO News, 2006). One reason put forward was the lack of flexibility on the side of the US.

In January 2007, it was agreed to revive the Doha Round (EurActiv, 2007). Talks began in all kinds of settings, most notably between the EU, US, India and Brazil, but no convergence could be achieved until the summer (Commission, 2007). The EU and the US demanded more concessions from India and Brazil in industrial tariffs before they would consider changes to their market access and domestic support for agricultural products. This was refused by India in particular (Beattie & Callan, 2007a). On 17 July 2007, first versions of ‘draft modalities’ in agriculture and industrial goods were issued by the Chairmen. They met opposition by developing countries which complained about the big tariff cuts in industrial goods they were demanded to make and the less ambitious proposals on agricultural cuts for developed countries (Beattie, Bounds & Johnson, 2007). Both US and EU also remained cautious concerning the proposals.

Despite revised draft texts on modalities during the first half of 2008 the overall situation in the agricultural talks was largely unchanged. In July, the WTO Director called a meeting of trade ministers in Geneva to finally overcome the impasse. The EU had slightly increased its offer and optimism increased when the US offered a reduced farm subsidy limit (Beattie,

2008). A plan proposed by Director Lamy was then agreed by the main negotiating parties as a basis for further discussion. It permitted developing countries to shield some agricultural and industrial products from cuts in import tariffs, under specific rules (Beattie, 2008a). Eventually, however, the negotiations collapsed after nine days on the 'special safeguard mechanism', which would allow developing countries to raise their agricultural tariffs in the event of import surges or price falls. The US insisted on open rice and cotton markets of China and India which was refused by them (Beattie, 2008b). Consequently, although agreement had been reached on almost all issues, the negotiations were suspended, and a deal could not be expected any time soon, with US elections and other events to come up in the near future.

All in all, therefore, in this most recent phase of the Doha Round the EU position had not changed much compared to before the Hong Kong Ministerial. It maintained its offer from October 2005 but was willing to show more flexibility in market access if a 'balanced' and 'fair' agreement could be achieved within agriculture, and with regard to the other issues under discussion. This required additional efforts from the US in agriculture and from advanced developing countries in industrial tariffs (Commission, 2007a; 2007b). In the meantime, the EU negotiators stressed their commitment to the round and the important concessions they had already made. Indeed, throughout this phase and especially after July 2008, it was not the EU but the US, India and China which had to bear the immediate responsibility for deadlock and the renewed failure to agree on modalities.

Internally, the period from 2006 to early 2009 saw further adjustments to the CAP. The fruit and vegetables sector was reformed in line with the 2003 reform, as was the wine sector. Next to that, the policy instruments introduced in 2003 were subject to a review, dubbed the 'CAP Health Check'. Proposals for changes were presented in November 2007 and agreed a year later. The measures included further decoupling of so far coupled payments, further scaling back of market and supply control mechanisms, a further shift of direct payments to the rural development pillar of the CAP, simplified cross-compliance and measures relating to 'new challenges' like climate change (Commission, 2008).

According to the Commission, the 'Health Check' did not present a fundamental reform or a change of direction for the CAP, but also more than fine-tuning; it should ensure that the reformed CAP 'works as it should' in the most effective, efficient and simple way (Commission, 2007f; 2007i; 2007j), at least until 2013 when the new budgetary framework would possibly require further reform. Daugbjerg and Swinbank (2008a) consider the rather ambitious proposals mainly as a new attempt to bring the CAP in line with an emerging Doha agreement and put the EU in a better position in the 'end phase' of the negotiations, therefore trying to 'save' the round in the face of continued crisis.

The ideational base of the EU's internal and external approach to agriculture had not much changed after Hong Kong. Re-stating the idea of agricultural exceptionalism, the renewed rationales of the state assistance paradigm and their translation into the 'European Model of Agriculture', the Commission continued to present the CAP as addressing the needs of a special sector, by providing farmers with income support that enables them to fulfil important tasks other than mere food production: food safety and quality, animal welfare, care for the environment and the countryside, and preservation of the rural way of life (Commission 2006c; 2006d; 2007h). Within this line of argument, the European policy makers emphasized that there was continued need for the CAP as a policy that preserves European agriculture and its diverse farming structures (Commission 2006c; 2007d; 2007h). In the WTO, therefore, the

Commission pointed to the painful concessions already made and refused to substantially increase its offer from before Hong Kong.

More than in previous years, however, the competitiveness of European farming came to the fore in the Commission discourse on agriculture (Commission, 2006e; 2007e; 2007g; 2008c), next to the already familiar notion of 'sustainability'. It was stressed that support for farming would only be backed by the public if it was used to enhance competitiveness rather covering up a lack of it (Commission, 2006g; 2007c). A major focus in this regard was on high-quality products – even referred to as the 'EU's comparative advantage' (Commission, 2006f; 2008b) - and 'new' products like biofuels (Commission, 2006d).

Rural development policy was put forward by the Commission as a tool for providing better targeted aid for rural areas, also for enhancing competitiveness in European farming (Commission, 2008a). Overall therefore, while trying to keep the basic ideas of the CAP and the farm sector intact, the European policy makers sought to adapt it better to a more liberalized environment.

Like in the previous phases, agricultural interests were opposed and unwilling to accept further changes that posed a potential threat to the sustainability of the CAP and the livelihood of European farmers; they expressed this whenever possible. COPA repeatedly urged the Commission negotiators not to make any more unilateral concessions in the Doha Round and not to accept a deal that would only benefit the big agricultural exporters (COPA-COGECA, 2007; 2008a). It increasingly sought cooperation with like-minded farm organizations around the world, especially in developing countries. Together, they called for a Doha deal that would allow for the co-existence of different farming models and take into account non-trade concerns and special treatment for developing countries (COPA-COGECA, 2007a; 2008).

After the 2008 breakdown, most European farming interests were rather pleased, claiming that no deal was better than the bad deal that had been on the table (Farmers Guardian, 2008). Only the more liberal English NFU regretted the breakdown. At the same time, business showed only half-hearted interest in the negotiations most of the time (Beattie, 2006, 2006a; Financial Times, 2006) which made it more difficult for European governments and the Commission to ignore the demands of the farmers. It seems, however, that the Commission and many member state governments would have been ready to endorse the deal of 2008 although it went too far in the view of most farm interests.

As before the Hong Kong Ministerial, also in the phase thereafter whenever the WTO talks gained momentum, threats to veto an unfavourable Doha deal were voiced again, mainly by the French and Irish governments – both countries with strong farming traditions and lobbies (Beattie & Callan, 2007; Smyth, 2008). Although this had the potential of locking the EU into an even more defensive position, the Commission negotiators did not seem to take the threats very seriously and were prepared to give some more ground for achieving an agreement in 2008.

To summarize, in the most recent phase of the Doha Round the ideational base of the CAP informed the EU approach to agriculture in so far as the Commission was not willing to make more concessions in the negotiations. Anticipating the features of an emerging Doha deal, however, it sought to bring European farming in line with a more liberal trade setting, by initiating further reform and placing more emphasis on competitiveness. Next to the underlying ideas of the CAP, farm interests and veto threats may have pulled the EU in a rather defensive direction, but in the end they could not preclude it from giving more ground in the event of a near agreement.

4. Conclusions

This thesis aimed at finding an explanation for the EU's problematic stance towards agriculture in multilateral trade negotiations. A theoretical framework stressing the role of ideas, interests and institutions in preserving the state assistance paradigm has been presented and its fit with EU behaviour in the GATT Uruguay Round has been outlined. Then, the latest round of multilateral trade negotiations, the Doha Round, has been analyzed to determine whether continued endorsement of the idea of agricultural exceptionalism by the European Commission, powerful interests pressing for maintaining the status quo and institutional constraints in the form of veto points have led the EU to maintain an agricultural policy based on state assistance, and therefore a position rather opposed to trade liberalization in the WTO. It had been assumed that in the Doha Round the EU would behave in a 'limited rational' way, trying to keep the basis of the CAP intact while adjusting it to meet the demands of its trading partners and make it 'WTO compatible'. This would enable it to pursue its interests also in other areas of the negotiations instead of stalling the round on agriculture.

The analysis of the Doha Round shows that EU behaviour throughout the trade talks largely fits with this hypothesis. The overall position of the EU in the Doha Round matches the 'limited rational' approach that it had pursued in the previous GATT Round. As assumed, the EU followed the path it had embarked upon at Uruguay. In repeated 'times of crisis' or the anticipation thereof, internally as well as externally, the CAP was reformed again – most notably in 1999 and 2003 - in ways that did not amount to a paradigm shift away from state assistance. This and the concessions it allowed for at WTO level were meant to achieve two EU goals at the same time: maintaining the CAP in the longer term, and keeping the Doha Round going to enforce the EU's offensive liberalization interests, especially in the areas of industrial tariffs and services, the main comparative advantage of the EU. In the course of the round, progress in these areas got more and more linked to the negotiations on agriculture. Overall, its unwillingness to dismantle the CAP completely and to engage in progressive agricultural trade liberalization to some extent constrained the ability of the EU to pursue its other interests in a rational way; however, enacting further adjustments to the CAP allowed it to demand 'something in exchange' from its trading partners, ultimately with mixed success.

The combination of ideas, interests and institutions proved to be a fitting framework for explaining the EU approach to agriculture in the Doha Round. The idea of agricultural exceptionalism guided the EU policy makers throughout all phases of the Doha Round. Wrapped up in the concept of 'multifunctionality', 'non trade concerns', 'sustainable agriculture' or simply the 'European Model of Agriculture', it was endorsed by the Commission which used it to explain and justify the need for preserving the CAP, to make further adjustments to it and for taking on a special and rather defensive approach to agricultural trade liberalization in the WTO. Altogether this constituted the basis for all EU behaviour during the time analyzed.

Abandoning the belief in the specialness of agriculture and the resulting policy of state assistance was never considered a real option by the policy makers during the Doha Round. Decades of thinking and acting along these lines – including most recently the substantial reform of 1992 - seem to have cemented the ideational foundation of the CAP and created a sort of path dependence. Exiting this path is seen as putting at risk the future of the European farming sector and depriving European consumers and citizens of private and public goods they value highly. By choosing once again adjustment of the policy within the state assistance paradigm and respecting agricultural exceptionalism therefore, the Commission avoided a

break with the past that was perceived as problematic with regard to its consequences. By providing farmers with direct support in a 'trade friendly' way and by stressing the link between agriculture and 'new' public goods like food safety and the preservation of the environment and European landscape, it demonstrated the continued validity of the traditional rationales for an agricultural policy based on state assistance and its belief in an approach to agriculture along these lines.

Past influence of agricultural interests and institutional lock-in certainly helped shaping the attitude of European policy makers and therefore the ideational foundation of the CAP which brought about the situation of path dependence. The analysis highlighted the more direct role these two also played during the time of the Doha Round.

Agricultural interests embraced the ideational foundation of the CAP and generally opposed any changes to the CAP and any big concessions in the WTO. During the time analyzed, they had some success in pressuring the EU governments and the Commission to this end while the industrial lobby with its rather countervailing interests remained largely indifferent to the negotiations. Next to that, 'veto points' have proven to be institutional features with the potential of 'locking' the CAP and the EU behaviour in the WTO into the position of the most protectionist EU member states. In addition to the policy makers' general unwillingness to radically break with the traditional approach to agriculture, interests and institutions present features that safeguarded the defensive EU approach to agriculture and its ideational foundation, often also beyond the intention of the Commission. Throughout the Doha Round, they provided the CAP with an additional protective belt and so reinforced the path dependence of the European approach to agriculture.

Ideas, interests and institutions provide an explanation for 'limited rational' EU behaviour in the Doha Round along historical institutionalist lines. Taken together they ensured that the EU did not depart completely from the policy path it had pursued since the early days of the CAP, a path that runs counter to the WTO goal of free and undistorted trade. This makes agriculture a problematic issue for the EU at multilateral trade negotiations and explains some of the problems that occurred in the Doha talks and the criticism the EU received.

While the theoretical framework seems to be suited to explain the EU reluctance to engage in progressive agricultural trade liberalization, it is, however, not an explanation for all the problems and situations of deadlock that troubled the agricultural talks in the WTO during the past years. Different from the last trade rounds where much depended on the US which pushed for liberalization and the EU which kept a protectionist stance on agriculture, the Doha Round saw the rise of new important parties and coalitions of countries with specific offensive and defensive interests. Negotiations took place in a much more complex setting in terms of content and players, and also US willingness to liberalize met its limits. Often more than one factor led to deadlock, and not always did the EU play the main role in this regard.

Despite its overall defensiveness, the EU position in the WTO talks evolved remarkably over the ten years analyzed. Without having left the path of state assistance and its rationales, step by step its agricultural policy has become geared towards a more liberal trade environment and has been made more 'compatible' with WTO rules and goals. Subsidies continue to form the core of the CAP, but they have been made more 'trade friendly', and instruments to regulate prices and supply have disappeared to a large extent or are being scaled down. Compared to the original set-up of the CAP, the EU has come quite a long way, also in solving external and internal problems associated with the policy.

At the moment, the future direction of the CAP is uncertain. The Commission already admitted that it will be difficult to maintain the present level of financing for the CAP in the

new budgetary framework that will apply after 2013. This combined with its latest emphasis on rural development policy as a more targeted way to assist farmers and rural areas points to further adjustments or changes to state assistance for every farmer as the European approach to agriculture. It is, however, likely that the idea of agricultural exceptionalism will continue to guide the EU policy makers in one or another way and that interests and institutional features will help to prevent a substantial paradigm change.

In the meantime, the fate of the Doha Round is also uncertain. After the breakdown in 2008, the agricultural talks started again in February 2009, with no significant progress reported to date and lengthy technical discussions scheduled. Whether these or the talks in the other areas will bear any results and whether further movement on the side of the EU will be necessary remains to be seen. Given the results of this analysis, however, it seems certain that the EU will not put the future of the CAP at risk for the sake of a Doha Agreement.

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