Explaining Reform and Reversal of the EU’s Common Agricultural Policy, 1992-2013

Carsten Daugbjerg*

Abstract
The majority of agricultural policy analysts argue that the reforms of the Common Agricultural Policy (CAP) from the early 1990s to 2008 have been motivated by the international farm trade negotiations. These transferred some decision-making authority from the domestic to the supranational arena. EU agricultural policy makers responded to this partial globalisation of agricultural policy. The support instruments of the CAP have been gradually altered from the early 1990s to 2008 in order to limit their trade distorting impact as a response to developments in the GATT and the WTO. This policy trajectory characterised the evolution of the CAP up until December 2008 when the Doha Round stalled. The latest reform of the CAP took place in 2013. The series of CAP reforms from 1992 to 2013 allows a quasi-experimental research design to establish the impact of WTO developments on the reform direction of the CAP. The explanatory variable, WTO pressure, can be varied over time to ‘measure’ its influence on the CAP. This paper shows that the decrease of WTO pressure led to a change of direction of the CAP reform trajectory in 2013, downgrading international trade policy concerns.

*Carsten Daugbjerg is a Professor in the Crawford School of Public Policy at The Australian National University, Australia; and Professor (part-time) in the Department of Food and Resource Economics at the University of Copenhagen, Denmark. The financial support of the Norwegian Agricultural Economics Research Institute for this research is appreciated. The paper forms part of its CAP2013 project.

Introduction

The Common Agricultural Policy (CAP) has been subject to reform with relatively consistent intervals since 1992. Thus, the politics of the CAP during the last four decades has been a continuing reform debate. Most studies on CAP reform tend to focus on one reform only, searching for the factors which caused the reform and/or shaped it (Daugbjerg 2009). However, with a series of reforms over the last three decades, analysis of the reform trajectory rather than the individual reforms should be the focus of CAP studies. Applying such an analytical approach, this paper aims at establishing the direction of the reform sequence and its drivers from the early 1990s to 2013. A particularly interesting question is whether the latest CAP reform was a deviation from the previous trajectory and if so, why?

Budgetary problems triggered reform of the dairy and cereal market regimes in 1984 and 1988 respectively. Pressure on the EU to reform its agricultural policy in first the GATT (General Agreement on and Tariffs) Trade and then the WTO (World Trade Organization) triggered and shaped a new sequence of reform initiated by the MacSharry reform in 1992, followed by the Agenda-2000 reform in 1999, the Small Farmers Scheme in 2001, the Fischler reform in 2003 (accompanied by a series of second stage commodity specific reforms), the sugar policy reform in 2005 and the Health Check reform in 2008 (Ackrill 2005, Ackrill and Kay 2011, Daugbjerg 2009, Daugbjerg and Swinbank 2011). The CAP reform of June 2013 is the latest reform in the sequence. The two most substantial reforms, the 1992 and 2003 reforms, were even named after the agricultural commissioners, Ray MacSharry and Franz Fischler, who energetically and successfully managed to persuade the usually foot-dragging Council of Agricultural Ministers to adopt their reform proposals though not in their original forms but in somewhat watered down versions.

Up until 1992, the CAP was a high-price policy in which the consumers paid a significant share of the costs of subsidising farmers through artificially high consumer prices. The CAP stabilised markets and farm incomes by providing floor prices in the markets for various commodities. Variable import levies ensured that imports from the world market could not be sold below minimum import prices (threshold prices) that were set well above the floor prices. Schemes for stockpiling, destruction and/or export subsidies ensured that when EU internal supplies increased, EU prices would not fall below the politically determined floor prices which were usually substantially higher than world market prices.

The high price system of agricultural support was highly trade-distorting as it resulted in substantial surplus production which was sold on the world market with export subsidies, outcompeting otherwise competitive exports from other countries. This was an important reason why agricultural trade became included in the GATT Uruguay Round of multilateral trade negotiations which commenced in Punta del Este, Uruguay in 1986. The EU came under strong pressure to reduce its agricultural support and border protection (Josling, Tangermann and Warley 1996, 155).

The Uruguay Round Agreement on Agriculture had a built-in agenda which committed the signatories to commence new trade talks before the end of 1999 (the continuation clause, Article
20). The inclusion of agricultural trades in first the GATT and then in the WTO has become an important driving force behind the evolution of the CAP over more than two decades. The Agenda 2000 CAP reform adopted in March 1999 and the subsequent reforms of the CAP in 2003 and 2008 were adopted to meet the challenges in the WTO, first in the ill-fated Millennium Round in 1999 and later in the still on-going Doha Development Agenda Round which has been stalled since 2008 though there have been several attempts to revive it. It was not until the Bali mini-agreement in December 2013 that some limited progress was made, but only in relation to developing countries’ use of production-linked farm support measures for public stockholding of traditional staple food crops.¹

The CAP reforms were triggered and shaped by developments in the WTO farm trade negotiations (e.g. Daugbjerg and Swinbank, 2007, 2009 and 2011, Cunha and Swinbank, 2011, Garzon 2006, Coleman and Tangermann 1999, Nedergaard 2006). Reforms since the early 1990s have been characterised by gradual policy changes in which policy instruments have been altered in order to limit their trade distorting impact and thus make the CAP more WTO compatible through a change of domestic support instruments from price support to decoupled direct farm payments. The reforms have not involved decisions on reducing or phasing out agricultural support, but enabled improved control of agricultural spending.

The adoption of the 2013 CAP reform provides improved conditions for testing this GATT/WTO proposition. Throughout the whole Uruguay Round, the EU was under severe pressure to reform the CAP. A similar type of pressure, though less severe, emerged in the Doha Round as it became clear that a new Agreement on Agriculture could not be agreed until the EU had given substantial concessions. This was the situation up until December 2008 when Doha Round stalled. This paper analyses how developments in the WTO affected the way in which the CAP evolved? As the WTO pressure on the CAP vanished as a result of the stalemate and there was no sight of a conclusion of the Round, we have an analytical situation allowing a quasi-experimental research design. The explanatory variable, WTO pressure, can be varied to test its impact on the reform direction of the CAP.

Globalising Domestic Policy
The decision to include and maintain agricultural trade as a negotiating issue in the Uruguay Round marked the beginning of the globalisation phase of agricultural policy by transferring some decision-making authority from the domestic to the supranational arena. Skogstad (2000, 808) refers to this transfer of authority as political globalisation which she defines as the ‘restructuring of power relations with the emergence of new supranational centres of political authority.’ A key question within the emerging literature on global public policy (e.g. Skogstad 2011; Stone 2008) is whether and how this transfer of decision-making authority affects domestic policy designs. More

specifically, how do domestic policy makers respond to the globalisation of agricultural policy and how does it affect policy design?

Globalised policy making takes place in the intersection between international and domestic pressures but does not do away with domestic politics. The likely response by domestic policy makers is to internalise the additional international layer of constraints and opportunities in domestic policy making process. Depending upon the exact nature of global constraints and opportunities, well-established domestic policy institutions (policy communities) may be challenged by pressure to alter their policy agendas, to rebalance power relations or to move decision making authority to a new venue (Coleman and Perl 1999: 698-99). Changed policy agendas may be co-opted into the already existing policies by making symbolic changes by altering policy instrument settings or re-instrumenting the policy to serve the original objectives in new ways. Rebalancing of power relations within institutions or destroying them is likely to challenge underlying policy paradigms and lead to fundamental policy change. In the former situation, the process is likely to be gradual in which policy is fundamentally changed through a series of stepwise reforms over an extended period. When institutions are destroyed, a single-stage radical reform is the more likely outcome. However, in all three situations, global agendas and ideas are not necessarily adopted in their entirety at the domestic level of policy making. As Skogstad (2011, 5) suggests: ‘where transnational norms are not rejected, they are likely to be localized, rather than adopted wholesale.’

Globalisation pressure varies over time. When new international agreements are negotiated and agreed, pressure for domestic policy reform may be generated. If global political dynamics lead to further globalisation of public policy through ongoing talks and expansion of international agreements, domestic governments (some more than others) must continuously adapt their policies to developments in global policy regimes. On the contrary, when national governments have adapted to a fairly static global policy regime, the pressure for continuing domestic reform decreases and domestic policy concerns take over as the dominant reform driver.

This paper analyses how the reform direction of the CAP was shaped by developments in agricultural trade negotiations in first the GATT and then the WTO. From being a significant contextual factor in the CAP reform sequence from the 1990s until 2008, its importance decreased considerably in the 2013 reform. To support the argument that the globalisation of agricultural policy added a new layer of constraints and opportunities to farm policy making in the EU domestic, firstly it must be shown that the reforms up until 2008 were designed to respond to developments in the WTO farm trade talks. Secondly, it must be demonstrated that the vanishing WTO pressure after December 2008 changed the course of the CAP reform trajectory with internal rather than WTO concerns now driving the reform.
Global Regime Change and Reform of the CAP

Throughout much of the 20th century most industrialised countries intervened extensively in the agricultural sector with the aim of supporting the incomes of their farmers. Government intervention was based on the belief that agriculture was a unique and hazardous enterprise with unpredictable and unstable weather and market conditions deserving special treatment because it contributed to national goals. Political scientists call this fundamental assumption about the nature of the farming industry agricultural exceptionalism (Skogstad 1998, 468, Grant 1995). Agricultural exceptionalism at the national level was reinforced internationally by the General Agreement of Tariffs and Trade. Article XI of GATT 1947 spelled out the general rules for import restrictions in agricultural trade. The waiver granted to the US in 1955, allowing it to use quantitative import controls for whatever agricultural commodity it wished, was a further forceful legitimation of agricultural exceptionalism (Hilman 1994, 31). Later on, the EU’s extensive use of variable import levies added the legitimacy to this. Article XVI’s endorsement of subsidies on export of primary products and weak disciplines on their use was another forceful expression of agricultural exceptionalism in the GATT (Josling, Tangermann and Warley 1996, Daugbjerg and Swinbank 2009).

The adoption of the Uruguay Round Agreement of Agriculture in 1995 introduced a new policy paradigm in the global agricultural trading regime - agricultural normalism. This refers to an ideational position in which ‘agricultural markets are perceived to be basically stable and capable of providing society’s desired outcomes. Imbalances and instability in agricultural markets are the consequence of government intervention, not the result of imperfections in agricultural markets. Both agricultural markets and production operate in a similar fashion to those of other economic sectors’ (Daugbjerg and Swinbank 2009, 12). This new underpinning paradigm of the WTO agricultural trade regime set the international context within which the CAP evolved.

The MacSharry Reform of 1992

During the Uruguay Round (1986-95), the EU was under pressure from the US and the Cairns Group2 to reduce the trade-distorting impact of the CAP by lowering its level of support and border protection. The mounting production surpluses in the EU were sold on the world market with significant export subsidisation meant that US exporters increasingly had to compete with directly subsidised exports from the EU in markets in which the EU exporters had not previously been operating (Mahler 1991, 35). The Cairns Group members suffered from declining world market prices caused by the fierce export subsidy competition between the EU and the US (Kenyon and Lee 2006).

The US submitted its Proposal for Negotiations on Agriculture in July 1987, known as the ‘zero-2000 proposal’. It was radical and asked for ‘A complete phase-out over 10 years of all agricultural

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2 A coalition of developed and developing country agricultural exporters formed in 1986 in Cairns, Australia. The original members were Argentina, Australia, Brazil, Canada, Chile, Colombia, Fiji, Hungary, Indonesia, Malaysia, New Zealand, the Philippines, Thailand and Uruguay. Subsequently, Hungary withdrew. The coalition was led by Australia.
subsidies which directly or indirectly affect trade...[a] freeze and phase-out over 10 years of the quantities exported with the aid of export subsidies...[and] a phase-out of import barriers over 10 years’ (GATT 1987). The zero-2000 proposal did not propose a dismantling of all agricultural subsidies, but allowed those with minimal trade distorting effects (later to be known as green box support). Initially, the EU relied on that agricultural trade would eventually be excluded from the trade round as had happened in previous GATT trade rounds (Meunier 2005). Therefore, the Union adopted a reactive strategy of damage control (Ingersent et al. 1994, 61) with the aim of defending the CAP and its support mechanisms. In its initial proposal, the EU acknowledged the need for concerted reduction in agricultural support and a re-adjustment of external protection but since the EU had strong preference for maintaining agricultural exceptionalism as the underpinning paradigm of its agricultural policy its proposal to adjust subsidies and border protection did not come near those of the US and the Cairns Group in terms of the change suggested (Daugbjerg and Swinbank 2009). The US, backed by the Cairns Group, insisted that agricultural trade remained included in the Round and that the outcome of the negotiations would lead to a substantially liberalised world market.

The tensions peaked when the GATT negotiations in Brussels broke down dramatically in 1990 (Josling, Tangermann and Warley 1996). Eventually the EU farm ministers realised that their unwillingness to undertake substantial CAP reform was blocking a deal on farm trade as well as agreement on the whole package of agreements of the Round. The potential consequence of a such a deadlock situation caused significant concern in some EU member states, not least in Germany where the Federation of German Industry (BDI) representing the export interests in manufacturing, the Minister of Economics and his liberal party (the Free Democratic Party) put pressure on Chancellor Helmuth Kohl to persuade France to agree to a CAP reform and a GATT Agreement on Agriculture (Hendriks 1994, 64-71).

Within the European Commission it had been realised for some time that the CAP had to be reformed. The deadlock in the GATT negotiations changed the agricultural policy agenda as it became clear that the CAP had to respond to the mounting international pressure. This enabled Farm Commissioner Ray MacSharry to propose a substantial reform of the CAP in February 1991. Although EU spokespersons officially denied any link between the Uruguay Round and the reform process, there is no doubt that the two processes were interrelated (Ingersent et al., 1994, 77; Ross 1995, 278). For instance, the Dutch minister of agriculture who was the Agriculture Council President in the second half of 1991 made the link between a CAP reform and the GATT talks clear when he told the press: ‘What is necessary for the Uruguay round is that … there is an indication of the direction in which the CAP will be adjusted and reformed’ (Agra Europe no. 1448, 12 July 1991, p. E/6). However, the Agriculture Commissioner had an important incentive to keep the GATT talks and the reform process separate. He did not want to give the impression that the CAP reform was triggered by American pressure (Agra Europe no. 1424, 25 January 1991, p. E/3) as it would not help persuading farmers and member states, in particular France, to accept a reform. Since CAP reform was the key to revitalise the Uruguay Round, other parts of the Commission took an increased interest in the agricultural dossiers. As a result, the CAP could no longer be insulated from broader trade policy
concerns as had happened in the budget stabilisers reform of 1988 which, adopted two years into the Uruguay Round, took little notice of the GATT talks on agricultural trade. The Commissioner for External Affairs, who was the former Agriculture Commissioner, had the overall responsibility for the EU’s negotiating strategy during the Uruguay Round but the Commissioner for Agriculture was the lead negotiator in agricultural trade issues (Swinbank and Tanner 1996, 109). Whilst the Commissioner for External Affairs was not directly involved in the agricultural reform process in the early 1990s, it did take place in the shadow of EU trade policy.

The reform adopted in May 1992 transformed the architecture of the CAP. The most significant policy changes took place in the arable sectors while the changes in the beef and sheep sectors were more moderate. Domestic support in these sectors were partially transformed from price support to direct payments, decoupling them from production output but linking them to the production inputs land and number of livestock kept. Guaranteed minimum prices for cereals were reduced by 29 percent. These price cuts enabled the EU to lower the tariffs and export subsidies. Farmers were compensated for the lost income by direct payments established on the basis of the area of eligible land upon which the so-called ‘reform crops’ (cereals, oilseed, and protein crops) were grown, provided that they set aside 15 percent of their arable land. This production-limiting measure meant that the CAP became less trade-distorting than previously as it limited surplus production. Under the Agreement on Agriculture, direct farm subsidies linked with production limiting measures – so-called blue box support – are exempt from reduction commitments. Despite this CAP reform achieved far less than the US had demanded during the first four years of the Uruguay Round, it did enable a compromise between the EU and the US, which the other members of the GATT accepted as a fait accompli (Daugbjerg and Swinbank 2009, 156).

The maintenance of a comparatively high level of farm subsidisation within the EU was enabled by two factors. Firstly, although the US and the Cairns Group had challenged agricultural exceptionalism right from the initial stages of the Uruguay Round, they focussed on the trade impacts of farm support and not on redistributive effects within societies. The US’ zero-2000 proposal distinguished between distorting and non-distorting farm support and was aimed at phasing out the former type of subsidies (GATT 1987 and 1989). The distinction between distorting and non-distorting farm support implied that the exercise for the EU was to shift its domestic support from the former to the latter category of domestic support. Secondly, the agricultural institutions maintained control over the policy reform process (Daugbjerg and Swinbank 2007). As a result, the issue of redistribution between societal groups was excluded from the policy on whether or not to support them. The EU responded to the agricultural trade negotiations by adopting a re-instrumentation of its agricultural policy by shifting to less trade-distorting domestic farm support measures. Thus, European farmers remained comparatively highly subsidised, but in new ways. Re-instrumentation of the CAP as a localised response to the global farm trade agenda meant that EU agricultural policy institutions were able to remain in control of the domestic policy domain.
The close inter-linkage between the CAP reform and the GATT negotiations is shown by the fact that during the reform process, the EU negotiated bilaterally with the US on a farm trade deal in which a new domestic support category emerged: the so-called “blue box” (Cunha and Swinbank 2011, 83-84). It was designed to shelter the EU’s new area payments and the US’ deficiency payments from reduction commitments in the Agreement on Agriculture. Essentially, the conclusion of the farm trade negotiations in the Uruguay Round was a matter of finding a compromise between the EU and the US. Eventually, the EU was able to secure considerable concessions in the specific commitments of the Agricultural Agreement in return for concessions to the US in relation to the ideational underpinning of the Agreement which would set the long term direction of the new agricultural trading regime and support the then preference of the US for market liberalism in farm trade. The adoption of the Agreement of Agriculture laid down agricultural normalism as the new guiding principle for the future negotiations on agricultural trade. In the preamble to the Agreement it is explicitly emphasised that the ‘long term objective … is to establish a fair and market-oriented trading system...’ and that the aim of ‘substantial progressive reductions in agricultural support and protection…’ is to result in ‘correcting and preventing restrictions and distortions in world agricultural markets’. Articles XI and XVI of GATT 1947, which were the legal expressions of agricultural exceptionalism in the pre-Uruguay Round food trading system have been overridden by Article 21 of the Agreement. Most importantly, Article 20 states that farm trade liberalisation was ‘an ongoing process’ and that ‘negotiations for continuing the process will be initiated one year before the end of the implementation process’, i.e. before the end of 1999 (the continuation clause, which was inserted late in the process on the insistence of the Cairns Group (Kenyon and Lee 2006)).

Post-Uruguay Round CAP Reforms

The influence of the built-in trade liberalisation agenda of the Agricultural Agreement reform process was already evident in the late 1990s. EU agricultural policy could no longer be decided in isolation from the global context but had to take trade rules and developments in the WTO into consideration. The Uruguay Round Agreement on Agriculture had set the scene for continued negotiations on farm trade liberalization in the WTO and this would influence the future evolution of the CAP. This meant that the EU had to consider how to respond to the agenda of the forthcoming Millennium WTO trade round commencing in late 1999. The Agenda 2000 reform proposal for the CAP, published in 1998, was based on the premise that the new Round would result in further trade liberalisation and that the reform had to take this into account. In the agricultural chapter of the Commission’s Agenda 2000 proposal Commission said that ‘the Union has to prepare its agriculture sector for these negotiations’ and that ‘the Union has to lay down the agricultural policy that it intends carrying out in the years ahead in a way that satisfies its own interests and takes a realistic view of developments in the international context. This needs to be done before the opening of the WTO negotiations so that the Union can negotiate on a solid basis and knows where it wants to go’ (Commission of the European Communities 1998, 2-3). The

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3 Formally still applies - now as GATT 1994 (identical to GATT 1947 but legally distinct).
Agenda 2000 CAP reform, adopted in March 1999, is generally understood as ‘a deepening’ of the 1992 reform as it further lowered the guaranteed minimum prices and raised direct payments. However, the reform did not create much leeway for the EU in the WTO (Swinbank 1999, 404). With the collapse of the Millennium Round in Seattle in late 1999, the immediate pressure on the CAP lessened.

In November 2001 a new trade round in the WTO began in Doha, Qatar (the Doha Development Agenda Round). The EU quickly realised that the CAP would come under pressure from many of its trading partners. The US and the Cairns Group wanted export subsidies phased out over five years and the blue box domestic support category abolished and payments under this category included in the reduction commitments (Daugbjerg and Swinbank 2009, 165). An abolishment of the blue box would force the EU to undertake substantial cuts in its domestic farm support unless its support system was changed. Decoupling the direct farm payments from production presented itself as a potential response to this pressure on the CAP.

The 2003 CAP reform process confirmed that the developments in the WTO farm trade negotiations had become an important driving force in EU agricultural policy making and that the support measures of the CAP had to be considered in the light of the direction for the global farm trade regime set out in the Uruguay Round Agreement on Agriculture (Nedergaard 2006, Daugbjerg and Swinbank 2009). For instance, the Commission in its Mid-term Review of the CAP in 2002 stated that the reform proposal was designed to take ‘into account the need to preserve farming incomes in a less trade distorting way’ (Commission of the European Communities 2002, 3). As a result it proposed to decouple the direct area and livestock payments from the production inputs land and livestock and create a Single Payment Scheme. The Commission argued that this would ‘provide a major advantage in the WTO since the Green Box compatibility of the scheme will help secure these payments in an international context’ (Commission of the European Communities 2002, 19). Later, such a policy change was seen as an offensive negotiating asset for the EU to achieve concessions from its trading partners. As the Commission stated: ‘Decoupling will allow the European Union to maximise its negotiating capital in order to achieve its WTO objectives such as non-trade concerns. Hence, the proposals for decoupling could be crucial in getting the best deal for the European Model of Agriculture’ (Commission of the European Communities 2003, 4). It was believed that the decoupled farm payments would enable the EU to shift it direct payments into the green box (a support category for minimally trade-distorting domestic support). This would be exempted from reduction commitments and relieve the pressure on the EU’s domestic farm support scheme. It was expected that this would also improve the EU’s negotiating position in the Doha Round.

The Council of Ministers’ declaration issued when the reform was adopted on 30 June 2003 reconfirmed that the close connection between the WTO negotiations and the evolution of the CAP: ‘The reform is also a message to our trading partners, including particular the developing countries. It signifies a major departure from trade distorting agricultural support . . .’ (Council 2003, 3). Another indication of this connection is that the Council devoted ‘half of the political declaration
introducing the final compromise . . . to explaining the relationship between the newly adopted reform and the ongoing WTO negotiations’ (Garzon 2006, 110). This indicated a significant change to the situation ‘in 1999, where only a cursory reference was made to the WTO, or with the defensive position adopted in 1992’ (ibid. 111).

The reform decoupled direct payments from production requirements and transformed them into a flat rate, single farm payment but allowed member states to tie up to 25% of the direct area payments to production and to choose from among various options for coupled payments in the beef cattle and sheep sectors (Swinbank and Daugbjerg 2006). Many of the EU15 member states, including France, chose to retain coupled support while others (e.g. Germany, Ireland and the UK) fully decoupled. This effectively led to a considerable renationalisation of the CAP. The 2003 reform was aimed at the large arable sectors (cereals, oil, and protein crops). A phase of follow-on reforms brought cotton, tobacco, olive oil, hops (2004), sugar (2005), fruit and vegetables (2007) and wine (2008) into the decoupled Single Payment Scheme.

When the Farm Ministers adopted the Fischler reform in June 2003 they mandated a review of certain aspects of the CAP in 2007/2008 (Daugbjerg and Swinbank 2011, 131). In what was later dubbed the ‘Health Check’ of the CAP, the new Agriculture Commissioner, Mariann Fischer Boel had a modest reform agenda, envisioning a two-step reform in which the first stage, the ‘Health Check’, would involve ‘further adjustments in line with market and other developments’ (Commission of the European Communities 2007, p. 3), and a second stage which would ‘look ahead to the CAP after 2013, within a general review of the European Union budget’ (Fischer Boel 2007, quoted in Daugbjerg and Swinbank 2011, 132). An important component of the ‘Health Check’ reform agreed by the farm ministers in November 2008 was a dismantling of the partial coupling option for the main arable crops by 2010 and for many of the livestock payments by 2012 (Daugbjerg and Swinbank 2009, 136-137, Agra Focus no. 154, December 2008, 3-16). The reform maintained options for coupled support for suckler cows, sheep and goats (Swinbank 2012, 41).

Whilst the ‘Health Check’ reform was not explicitly legitimised by WTO concerns, it was moving in the same direction as the emerging Doha agreement on agricultural trade, and thus created some extra leeway for the EU in the negotiations (Daugbjerg and Swinbank 2009, 132). When asked after her term as Commissioner, Mariann Fischer Boel explained that she would not allow the CAP to block a Doha Round trade agreement and was willing to give the concessions necessary to reach a compromise in the WTO on agricultural trade. This motivated the ‘Health Check’ reform. As in the MacSharry reform process in the early 1990s, reference to the WTO was left out of the official documents in order not to provoke additional opposition from the status quo oriented group of member states.\footnote{Fischer Boel, seminar presentation and personal conversation at DIIS Seminar, 12 April 2012, Danish Institute for International Studies, Copenhagen.} However, the reform had little impact on the WTO negotiations which stalemated in December 2008 as a result of disagreements between mainly India and the US on special safeguard
mechanism, a border measure that would allow developing countries to raise tariffs temporarily to deal with import surges or decreases in import prices.

The agricultural policy institutions remained in control of the reform process in the post-Uruguay Round reforms of the CAP (Daugbjerg and Swinbank 2007, 2011). This enabled agricultural policy makers to continue defining the CAP reforms as an issue of re-instrumentation and adjustment of existing farm support measures aimed at decreasing the trade distortion impact of the CAP. However, the reforms were adopted in the shadow of the EU’s broader trade agenda.

**The 2013 CAP Reform**

As the analysis of the reform sequence 1992-2008 above demonstrates, pressures from the GATT/WTO negotiations on agricultural trade in the Uruguay and Doha rounds have been important driving forces behind the re-instrumentation of agricultural support in the EU. From being a highly trade distorting policy, the CAP is now significantly less trade distorting despite the level of agricultural support remains relatively high. The long stalemate in the Doha Round negotiations after the failed attempts to achieve a breakthrough in 2008 has lessened the immediate pressure on EU agricultural policy makers to respond to WTO concerns when reforming the CAP.

As the Doha Round stalled after 2008, the WTO farm trade agenda became overshadowed by internal concerns when the Commission’s reform proposal was prepared in 2010 and 2011. In its Communication to the Council of Ministers and the European Parliament in September 2010, the WTO was only mentioned briefly twice and in passing with the Commission reconfirming its intention to ‘respect[…] EU commitments in international trade’ (European Commission 2010, 4). In its proposal to the Council of Ministers and the European Parliament, published in September 2011, there was only one reference to the Doha Round in which the Commission said that ‘additional pressure on the sector is expected from further liberalization’ (European Commission 2011, 5). However, none of these key policy documents addressed the question of how the policy changes proposed resonated with the EU’s WTO commitments or expected developments in the international talks on farm trade. This was a stark contrast to the EU policy documents outlining the 2003 reform. The main objectives of the post-2013 reform proposal was to further ‘green’ the CAP by adding new environmental requirements to the support measures and to bring about a more equitable distribution of agricultural support within regions and amongst member states (European Commission 2010, 3). These two main reform measures were not designed to reduce the CAP budget which had been under some pressure in the debate about the 2014-2020 multi-annual financial framework (MFF). The CAP budget would be reduced by 12 per cent in real terms over the budget period (Greer 2013, 122-26). To farmers, the visibility of the budget cuts will be low since in nominal terms payments to farmers will remain fairly constant.5

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5 Personal conversation with Professor Alan Swinbank.
The 2013 CAP reform agreed in the trilogue between the Commission, Council and the Parliament in June and September 2013\(^6\) introduced measures to decrease some of the differences in support levels within regions and amongst EU member states. While these changes raised no concerns in relation to the WTO, there were other policy changes in the reform package that strongly indicated that WTO concerns had been sidelined in the reform debate and seized to be the reform driver, shaped the content of the CAP. Firstly, the single farm payment was split into a basic payment, which will be 70 percent of the single farm payment, and a greening payment, which will be 30 percent of the single farm payment. Farmers will only be eligible to the latter payment if they implement three environmental measures. These are:

- maintaining permanent grassland;
- crop diversification (farmers must cultivate at least 2 crops when their arable land exceeds 10 hectares and at least 3 crops when his/her arable land exceeds 30 hectares. The main crop may cover at most 75% of arable land, and the two main crops at most 95% of the arable area); and
- ensuring an “ecological focus area” of at least 5% of the arable area of the holding for most farms with an arable area larger than 15 hectares – i.e. field margins, hedges, trees, fallow land, landscape features, biotopes, buffer strips, afforested area (this figure may rise to 7% in 2017) (European Commission 2013)

The WTO compatibility of the new greening policy measures is a strong indicator that the developments in the WTO have significantly decreased as a reform driver. It can be questioned whether the new greening payment can be considered a green box domestic support in the WTO. The reform can potentially undermine the purpose of the 2003 reform which was to shift the direct farm payments into the green box. To qualify as a decoupled farm income payment, and thus green box farm support under the WTO’s Agreement on Agriculture, ‘The amount of such payments in any given year shall not be related to, or based on, the type or volume of production’ and ’No production shall be required in order to receive such payments’.\(^7\) Since the greening payment is linked to production requirements and type of production, more specifically the requirements to grow three (two) different crop types, it may be difficult to sustain the argument that the green payment is decoupled from production. Thus, it can be questioned whether the payments qualify as green box support under the WTO Agreement on Agriculture (Swinbank 2012, 52).

It could also be problematic to declare the greening payment ‘Payments under environmental programmes’ – another farm support sub-category in the green box. To meet the requirements under this sub-category, the payments must be ‘part of a clearly-defined government environmental or conservation programme and be dependent on the fulfilment of specific conditions under the government programme’, and ‘The amount of payment shall be limited to the extra costs or loss of

\(^6\) Most elements were agreed in the trilogue on June 26, and the remaining issues (linked to the Multi-Annual Financial framework package) were finalised on September 24.

income involved in complying with the government programme\(^8\). It is difficult to see how a flat-rate payment can relate to a “clearly-defined government environmental or conservation programme”. Further, the average greening payment per hectare across EU27 is €80. According to the European Commissions’ own impact assessment the average costs of complying with the greening requirements range between €33 and €41 per hectare (Swinbank 2012, 37). This mismatch between the actual cost of complying with environmental regulations and the compensatory payment may render the greening payment difficult to defend as green box support in the WTO. As Swinbank (2012, 52) conclude: 'There is no evidence to suggest that the greening payment … is related in any way to "the extra costs or loss of income involved in complying with the government programme," or that it is related in any way to "a clearly-defined government environmental or conservation programme."’

Secondly, the reintroduction of coupling options abolished in the Health Check reform is another strong indication that WTO concerns played a very marginal role in the reform process. The agreement between the Commission, the Council and the Parliament specified that:

Member States will have the option of providing limited amounts of "coupled" payments, i.e. a payment linked to a specific product. This will be limited to up to 8% of the national envelope, or up to 13% if the current level of coupled support in a Member State is higher than 5%. The Commission has flexibility to approve a higher rate where justified. There is a possibility of providing an additional amount (up to 2%) of "coupled" support for protein crops (European Commission 2013).

The coupling option would apply to a targeted list of sectors (Agra Focus, no. 209, July 2013, 4). As argued above, the further decoupling adopted in 2008 served the purpose of enabling the EU to strike a deal in the WTO agricultural negotiations. By enabling member states to re-couple part of the EU support, the EU has effectively signalled that it is less committed to give the concessions necessary for a WTO agreement on agricultural trade to be reached and that WTO compatibility of its support schemes has been given lower priority (Rutz et al., 2013, 15).

However, as long as the Uruguay Round Agreement on Agriculture applies, the greening proposal poses no problem for the EU because if the direct payments do not qualify as green box support, there is plenty of room for them under the other support categories. In contrast, if the Doha Round is revived and an agricultural agreement is adopted, there would only be room for the direct payments under the green box and therefore the EU would be very vulnerable to legal challenges in the WTO’s Dispute Settlement System questioning the green box status of its direct farm payments.

**Conclusion**

This paper has analysed the CAP reform trajectory from 1922 to 2013 in order to establish the impact of GATT/WTO developments on the CAP reform sequence. The dominant argument in the CAP

literature is that pressure on the EU to reform its agricultural policy in the Uruguay and Doha rounds has been a major driving force triggering and shaping the reforms. The series of CAP reforms from 1992 to 2008 has brought the CAP into more conformity with the WTO farm trading regime. However, the EU did not adopt agricultural normalism as the paradigmic underpinning of the CAP but responded by re-instrumentation of the policy, entailing a shift to less trade-distorting domestic farm support measures.

The vanishing WTO pressure occurring in the aftermath of the stalemate of the Doha Round negotiations in December 2008 lessened the pressure on the CAP. This meant that the 2013 CAP reform took little notice of the anticipated design of a new Doha Round Agreement on Agriculture. The new greening payment and the opportunity for EU member states to increase payments coupled to production effectively changed the reform course of the CAP in relation to the WTO compatibility achieved in the period 1992 to 2008. Thus, the EU has narrowed its negotiators’ room to strike a Doha Round agricultural trade deal. Using the CAP 2013 reform as a contrast case, this paper has provided further support for the proposition that the GATT/WTO developments have been a main driving forces behind the CAP’s transformation from a highly to a less trade distorting policy. The 2013 reform demonstrates that in the absence of WTO pressure, the previous trajectory of increased WTO compatibility seized and some backtracking took place. This suggests that if the Doha Round is not revived forces within the EU wishing to reverse the CAP to previous policy models in which subsidies were linked to production may regain influence in the future. An immediate concern is that they may succeed in using food security to legitimise increased re-coupling of support as well as increased agricultural protectionism, which is likely to have negative impact on global food security.

The analysis of the development of the CAP from the early 1990s to 2013 also demonstrates that the way in which domestic policy is globalised depends on how the pressure from global policy develops over time. Domestic policy may be adjusted to respond to immediate global pressure, but unless domestic policy institutions are reconfigured or dismantled, continuous globalisation of domestic policy is likely to seize if global pressure decreases at a later stage. In such situations, domestic interests traditionally influencing domestic policy making through their privileged institutional position may regain influence and succeed in reversing policy.

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