Agriculture at the Uruguay Round: the European Union’s hindering position towards trade liberalization

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Abstract

The European Union started acting as unified trading actor in GATT negotiations in the 1960s and in the same decade launched it’s Common Agriculture Policy (CAP) that since then helped hindering a multilateral trade agreement on agriculture. The Uruguay Round, which started in 1986, prolonged for an agriculture dispute, was finished in 1994 with an agreement to reduce non-tariff barriers to agriculture imports and tariffs were scheduled for phased reductions. In this context, this article proposals are to a) discuss the European Union's position on negotiations that led to the Uruguay Agreement on Agriculture (URAA) including the Agreement on Sanitary and Phytosanitary (SPS) and the Dispute Settlement Agreement (which in theory should improve the process of resolving trade conflicts) b) show that although those agreements were set to ensure a more harmonic trade negotiations to liberalize trade on agriculture, the European Union did not change it's essence protectionist agriculture policy, since CAP continued hindering an agreement with concrete results towards liberalization on agriculture. The aim is to show that although all these agreements, high price levels, barriers to foreign trade and pressure under the common budget persisted and deepened in the European agriculture market after the URAA.

1. Introduction

The Common Agricultural Policy (CAP) of the European Union (EU), one of the most important symbols and paradigmatic policies of the European regional integration process and that could best fulfill the aim of building a unified image of Europe, had completed fifty years in 2012. At first glance, CAP seems to be a policy able of ensuring an abundant and assorted food supply to the European market, placing the EU as the world's largest net exporter of processed agro-food goods and providing one of the most outstanding international sector’s levels of productivity due to the high investments in technology that employs only 5% of the total workforce of the regional bloc.

Moreover, the efficiency of the CAP is centered on an integrated organization of the agricultural sector made up of productive chains of big companies, whose income level seems to be completely compatible with other sectors of the European integrated bloc, although the economic share of agriculture in recent years covers only around 2% of the Gross National Product (GNP) of the European Member States. In other words, as part of the powerful European agribusiness, CAP was able to guarantee high agricultural income levels, a requirement of farmers that usually invest in a concentrated number of goods cultivated in very few large and high productive farms, a remarkable trend in the European countryside.

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The relative stability of the European agro-food market also shows that the CAP, through its strict protection instruments, is able to maintain an effective control over the agricultural goods supply and price fluctuations in internal market, which sector volatility is generally higher than other ones. Particularly in the last decade, however, the prices of commodities and feedstock, including agricultural goods, have been showing an upward price trend, among other factors, due to increased worldwide demand, particularly of the developing countries like China and India.

Regarding the international trade, through the CAP the EU stands as an advocate of agricultural protectionism and of privilege taken by the intra-regional trade. This position is reflected in the way that the EU behave in multi and bilateral trade negotiations, even though it has been faced by strong political constraints exercised by some countries, both developed such as the United States and Canada, and developing, such as Brazil and India. The latters were organized in a bargaining group at the World Trade Organization (WTO). Claiming for the stop of the agricultural trade liberalization hindering for decades, these economies put pressure on the European bloc to carry out changes in the institutional and functional mechanisms of the CAP. In spite of this, very little had changed in the EU agricultural protectionist position over the decades and it still is one of the most closed agriculture market in the world.

In spite of CAP demonstrated a positive image of the European regional integration since it was established, it had internal fragilities that led to internal production and budgetary imbalances and external idiosyncrasies regarding the EU trade protectionist position that had culminated in the first CAP’s reform in 1992. It all happened during the Uruguay Round (1986-1994) of the General Agreement on Trade and Tariffs (GATT), since CAP dimensions became more untenable during those years.

Taking the CAP as the main object of this article, the questions that are addressed are: why did CAP, a positive symbol of European integration, generate imbalances and asymmetries? Why did CAP hinder a multilateral trade agreement on agriculture during so many years? Since the GATT Uruguay Round led to a step ahead toward international agriculture trade liberalization with the Uruguay Agreement on Agriculture (URAA) in 1993, why was it not enough to change EU’s position?
2. **CAP motivations, goals and imbalances**

The first ideas of a common agricultural policy arisen at the beginning of the process of regional integration in Europe in the 1950s when agriculture was included as a topic of the Treaty of Rome, which in 1957 established the directives to the formation of the European Common market (Tangermann e Cramon-Taubadel, 2013, p. 17). After the successful creation of the European Community of Coal and Steal (ECCE) in 1951, the Europeans started to find a way to harmonize agriculture policies, since the conditions of agricultural production were very different among them (Koester, 2001, p. 4).

CAP was founded in 1962 and prices for each classified product were institutionalized during the second half of the 1960s. One of its main goals of this system was ensuring food security in a continent marked by two world wars and by the shortage of food and basic goods. After the end of Second World War, CAP was conceived within the framework of Keynesian policies, which preached that the state should provide support for agricultural income through counter-cyclical policies in the pursuit of full employment and as for social and economic citizen’s needs. Since then, the integration of European agriculture sector has begun to be thought as a necessary condition for the maintenance of peace among the European member states. Stimulated not only by the generous support of minimum price levels, but also by many kinds of subsidies and other instruments of protection, which resulted in technical changes that quickly boosted productivity, the EU eliminated its food deficit and the net agricultural income began to grow steadily since then (Pezaros, 1998).

This good preliminary result shows that the peculiarities of the CAP design were related not only by economic, but also by political and social reasons, based on shared cultural values about the importance of the rural environment for the European life. In fact, this paradigm that was historically legitimized by the European societies and turned CAP structure difficult to be modified later. The maintenance of the basic CAP fundamental principles over the decades, with the same protectionist foundational impetus, can be explained by the fact that there is still a relatively "romanticized" view of agriculture in Europe based on the idea that it is the field that provides the essential goods to life and the agriculture sector is more sensitive than others (Knusden, 2005). Even today, many Europeans see CAP as an example of success that allows the maintenance of the small producers in the field and an instrument to prevent swelling cities, while eradicates the ghost of hunger and food shortages experienced in the immediately after postwar. Their political support is a key element for the maintenance of CAP’s protectionist essence.
In this sense, since CAP was established, the idea of high levels of minimum prices as the main operational axis was supported mainly by the French Government, the largest producer and exporter of agro-food goods in Europe (Fearne, 1997). This was based on the fact that the concessions taken in favor of CAP would be offset by gains of integration in other sectors if a harmonization agriculture policy would have been adopted. In this way, Germany, the most important and industrialized economy and the biggest contributor to the common budget, had good reasons to accept France’s demands, since had interests that the free movement of its industrialized goods would not be blocked (Priks, 2012, p. 55). The bargaining process showed that the political reasons were much important than the economic ones to the CAP institutionalisation.

The other representatives of national economies had different opinions because of their structural and territorial realities were quite uneven and, likewise, were their national interests. Because different interests had to be balanced in a complex EU decision-making system where there were supranational and inter-governmental institutions, the common choice was to postpone decisions regarding structural harmonization as the European Commission claimed. The member states argued that a structural reform at that time would be very costly and time consuming.

Therefore, the choice for the price support mechanism as a "backbone" of the CAP created cycles of spending, as it coupled production levels to price support, stimulating, in turn, the output. Over the years the gap between large and small producers had increased because its mechanisms were based on the scale of production: the more they produce, the more they could plead EU support. There was thereby a direct link between the size of farms, the income and the Member States support (Pezaros, 1998). Increasingly, CAP showed to be a promoter of privileges. The high good prices were the result of an asymmetric compromise in which the largest, the ones that generate more surpluses and the ones that were not the most productive determined the level of protection for all. Thus, beyond the structures of the CAP that were artificially protected by the European market, it financed disparities between sectors, regions and member states without addressing each particular problem.

As the support prices mechanism did not include the necessary structural compensation policies, the asymmetries were further deepened with subsequent EU enlargements that started in 1973 (the first one allowed the accession of Great Britain, Denmark and Ireland). Overproduction has demonstrated the need to change support rules, since it generated unsustainable budget problems in the 1970s and 1980s due to CAP’s increasingly higher costs and internal asymmetries.
In this scenario of asymmetries and imbalances, the mechanism of price support as the key instrument to achieve CAP’s aims was criticized due both costs within the less competitive EU member states and also by the countries outside the bloc, particularly of the Third World (Germond 2011, p. 2). In GATT tables of negotiations, they argued that the prices of European agricultural goods were overly subsidized and prices of products destined to the European market ended up creating distortions and consequently caused negative effects on their economies (Fennell, 1997), highly depended on agriculture and raw material exports. They insisted that they could not compete with the EU goods in the European markets as all their national products were tariffed in the European members’ boundaries. The EU was also under pressure by the United States, which was also interested in the openness of the European markets.

In this context of external pressure and internal conflicts, the EU started to make some necessary changes in CAP during the 1980s, although the Europeans have neither changed the EU’s agrarian structure nor its hindering position towards agriculture trade liberalization. What the EU called a structural reform happened in 1992, but once more it did not lead to a real change.

3. **CAP at the Uruguay Round and the MacSharry Reform**

The European system of agricultural market protection had hindered the first rounds of negotiations at GATT that started in 1947 and undermined the credibility of the EU. The social pressures for CAP reforms increased in the early 1980s – besides the existing overproduction and big expenses – because of the negotiations of the enlargement of Mediterranean countries – Greece (1981), Spain and Portugal (1985) –, essentially agricultural based economies (Josling, 2008, p. 63).

The particular insistent position of France in keeping the main instruments of the CAP was one reason for the failure of the negotiations toward trade liberalization during the Tokyo Round GATT that started in 1973 and lasted until 1979. Just in the beginning of Tokyo Round, EU stated that agriculture was a "special" sector and therefore should have an exceptional treatment.

Once more, the round was not able to solve the disputes over agricultural protectionism and to constrain changed in the EU common policy (Germond 2011, p. 16). In addition, the monetary instability of the dollar, the international economic crisis, the consequences of the oil shocks and the uncertainties conceived by the Cold War during the
1970s stimulated the return of protectionism and pessimism regarding the continuity of deepening and widening of the European integration process – called the “euro pessimism” –, which was only reversed in 1985 after the launch of the Single European Act.

In the 1970s the worse economic problems also prompted a change in the United States’ attitude toward trade protectionism. The Middle East conflicts also hampered the attention of country’s government aftermath of the second oil shock in 1979 (Mesquita, 2006, p. 41). Therefore, at that time the United States was not able to offer significant concessions in agriculture at GATT as well. For these reasons, in the end of Tokyo Round, they accepted a multilateral trade negotiations resolution that was not enough to affect any of the key elements of EU agricultural policy.

The agreement sealed in Tokyo resulted in lower commitments regarding agriculture and the resolutions contemplated tariff reductions (on average 40%) of about a quarter of agricultural products imported by nine developed countries. The contrast with the industrial sector became visible considering simple averages, once tariff reductions for manufacturers reached 39%; industrial raw materials, 32%; and agricultural products, only 7% (Carísio, 2006, p. 62).

During the 1980s, the developed countries continued their big financing programs to protect agriculture. In the “war of subsides” concerning domestic agricultural production between the developed countries, the costs of United States programs to support agriculture were multiplied by six between 1982 and 1986. Together with the EU’s provision from the 1970s to export subsidies to dispose of its induced surpluses, stimulated the US to defend its export markets by sponsoring farm exports as well -- a move that contributed to international food prices falling by 1987 to their lowest level this century in real terms (Anderson, 1998). The costs of the major CAP programs doubled between 1981 and 1986 (Mesquita, 2006, p. 49) as the US Export Enhancement Program has been very costly to the American economy. Maybe due to the weakness of the American position as a waiver of obligations under GATT Article XI that prohibited the use of quantitative restrictions, the United States have never resorted to the dispute settlement mechanism to question the legality of EU levies applied to foreign goods on the European Union member states boundaries (Carísio, 2006).

Despite all the talks, the U.S. position was shown contradictory during the global food crisis as they had a strong interest in agricultural trade liberalization, but continued to act

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2 The Single European Act established phases and the mandatory measures for the completion of the common market by 1992. It was a new institutional instrument that first amended the Treaty of Rome to the extent that broadened the scope of decisions of the internal market to the majority.
unilaterally, using their inventories and position as the world's leading agricultural producer to protect its agricultural market. This attitude led to distrust in the EU and Japan, who have been strengthened in their determination to increase their rates of self-sufficiency and protection (Mesquita, 2006, p. 41). Only when agricultural subsidies in other markets began to really harm the interests of the American exports and imports, the United States decided to attack the adverse trade effects of EU agricultural subsidies, bringing them back to the center of GATT negotiating table (Guyomard, Mahé & Roe, 1993, p. 6).

The Uruguay Round, which was launched in Punta del Este in 1986, represented a new offensive against protectionism and aimed to negotiate new market guidelines. This round was undoubtedly the widest of the GATT multilateral negotiations, since it is expected to put 75% of all international trade under multilateral discipline (Sandiford, 2005). The agenda included agriculture and other controversial issues, such as the liberalization of textile products, and new topics such as intellectual property and services.

Negotiations began under the impact of a report produced by the OECD two years earlier, in which it was recognized that the impact of domestic agricultural policies overflowed into the world market and caused protectionist reactions from other countries. Therefore, the answer had to be common. In this context, the CAP was identified as the most responsible for the bad picture. As changes in the rules of trade in agricultural goods were necessary, agriculture was presented as the main theme of the Uruguay Round agenda that began with harsh attacks on CAP.

The US knew that unless an agreement on agriculture was concluded, the round would probably collapse (Patterson, 2005, p. 17). In an international system that came along with energy, food and economic crisis, the Americans launched, once again, the idea of a new round of trade negotiations, sufficiently comprehensive and capable of halting the spread of "new protectionism" practiced not only in the markets of developed countries, but also the countries of the Third World, that faced at the time imbalances in their balance of payments. As the agricultural issue had been left relatively away of the GATT round of negotiations, the growing and rapid increases in subsidies and other types of protection showed the urgency that a change should be done.

Due to all these, in Uruguay for the first time the agricultural issues have gained an important role in GATT especially due to the United States attitude, but also the Cairns Group and other developing countries who insisted on the implementation of an agreement

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3 The Cairns Group was formed in August 1986, at the beginning of the Uruguay Round, in order to influence the negotiation process. It consists of both developed and developing countries that have in the production and
with general resolutions on agricultural trade disputes (Guyomard, Mahé & Roe, 1993, p. 3). The Cairns Group, created in 1986 by fourteen nations, under the leadership of Australia, to coordinate the positions of the major exporting countries without subsidies, including Brazil, didn’t want that multilateral trade negotiations to begin again without the inclusion of agriculture in the agenda (Moyer, 1993, p. 3). The Group argued that agriculture protection downward trend in the international price of farm products vis-à-vis the industrial products (Anderson, 1998). In fact, apart from Japan, no other country approved CAP.

The European budget crisis that already came true in the 1980s could be repeated in the early 1990s because all measures taken had hitherto been ineffective in changing the structure of the CAP. Near Maastricht Treaty ratification, which set more ambitious targets for the European integration project, signaled that the budget issue of CAP should be addressed before considering the full realization of the common market. Just after the end of the Cold War, the highest aspirations of the EU in terms of economic integration and the project of creation the Economic and Monetary Union (EMU), and the wish of the EU politicians to act as a global actor with the institution of the Common Foreign and Security (CFSP), firstly demanded its focus on the "budget discipline". France, once again, was the most radical opponent of a structural reform (Patterson, 1993, p. 10) but the European Commission managed to convince most governments of the need of the reform. The external and internal circumstances compelled the EU.

In May 1992, shortly after the Maastricht Treaty was signed and sixteen months after the proposal was submitted by the European Commission to the Council of Agriculture Ministers, and after many discussions, European Commissioner Ray MacSharry got the first structural reform of the CAP approved, the MacSharry Reform.

Doubtless, the MacSharry reform, implemented between 1993 and 1996 and called by the EU the first structural reform, reduced the level of support price mechanism and introduced the decoupled direct support of the level of production and included limits of production to avoid surpluses measures for rural development with focus on the environment and mandatory set-asides (payments not to produce) in part because of pressure from GATT. In this way, this new system replaced the price support as the "backbone" of the CAP. The guaranteed prices for cereals, dairy products and meat, the three goods with maximum protection, were thus reduced (Carísio, 2006). export agricultural products with is a strong economic base and that alone would have better conditions to influence the negotiation process.
We can say that the MacSharry Reform was an answer to urgent short-term events. Therefore, the transformation of the CAP was not paradigmatic, but partly the result of new public preferences that gave renewed roles to it, partly in response to external pressures applicants of structural reforms and the predominance of the interests of some states. Budget constraints also were a source of pressure for revisions of spending. The Reform also included rural development measures, as Environmental protection, the sustainable agriculture, preserving rural landscapes as part of the multifunctionality concept of agriculture (Cantore et. alli., 2011, p. 5), which started to gain importance.

Despite the efforts of the reform, its effects were, in practice, less than was expected. Shortly thereafter, the CAP no longer showed able to solve the problems of overproduction. The special treatment given to agriculture by Europeans continued to limit the scope of the negotiations for agricultural liberalization in the WTO. As the prices of other domestic agricultural goods persisted at high levels, the productive surplus remained being formed and the weight of the CAP in the EU budget remained high. Despite the commitments made in the WTO, market interventions were constantly required (Rudloff, 2006, p. 9). Thus, further reforms were inevitable.

There was undoubtedly a link between the MacSharry reform and the continuation of the Uruguay Round negotiations. Without the elimination of obstacles to the CAP, at least the most urgent, the EU could not agree with the GATT Agreement on Agriculture, the biggest target of the Round.

Since the 1990s, changes in the CAP were done in homeopathic doses, perverse incentives for overproduction of agricultural goods for which demand was relatively stable. However, they have not changed the protectionist essence of CAP and therefore had limited impact on the liberalization of world agricultural market as the main instruments and operating mechanisms were replaced by others.

Thus, the CAP has the same profile and objectives since its foundation and virtually the same products are protected (maximum guarantees are offered for more "noble" and "essential" products such as wheat, other cereals, sugar, beef, dairy products). Thus, the EU remains the most protectionist region in the world, although agricultural subsidies are, in fact, falling a little bit after the subsequent reforms (Anderson, 2009, p 19.) EU kept the same speech: a revolutionary CAP reform will only happen if the other "villains" of agricultural trade protection do the same first.
4. **The Uruguay Agreement on Agriculture (URAA)**

The aim of the GATT signed by 23 countries in 1947 in Geneva was to create a unique structure for negotiations on mutual tariff concessions in international trade. Laid on the groundwork for negotiations on the liberalization of international trade between the Allies after the Second World War, it entered into force in 1948 (Jackson, 1997, p. 313). From the beginning, GATT allowed special provisions for the liberalization of agricultural commodities once authorized quantitative restrictions and export subsidies that took the form of explicit exceptions to the general rules, designed to accommodate the programs to support agriculture in developed countries, the most powerful contracting parties of the Agreement (Mesquita, 2005, p. 27). Import quotas were eventually accepted under three conditions: when the country presented imbalances in its balance of payments, in case of protecting infant industries in developing countries and for the accommodation of certain agricultural programs.

Thus, despite the agricultural policy has become of strategic importance for the European regional integration since the interwar period (Sorensen, 2009, p. 9), the common interests on trade liberalization, represented by the signing of the GATT by European countries, and the progressive tariffs reduction on manufactured imports, we can state that there was, in general, little progress in reducing barriers to agricultural trade in the decades after the Second World War. The first four rounds of trade negotiations conducted under the GATT (after the original, in 1947, and the following three, Annecy in 1949, Torquay in 1951 and Geneva in 1956) insufficiently contributed to the liberalization of international agricultural trade. As the major distortions on agricultural trade were caused by non-tariff instruments, when a tariff reduction occurred, it had not big practical effects (Mesquita, 2005, p. 28). At the time GATT was signed, it was not able to compromise developed countries with agriculture trade liberalization and till the Uruguay Round, there was little improvement.

Many studies on past and recent agricultural protectionism (Anderson and Hayami, 1986; Krueger al. 1988) have been made. The general conclusions reached were: i) in general, the industrialized countries support agriculture vis-à-vis the poorest countries ii) importers of agricultural goods tend to be more protectionist than exporters; iii) exporters from developing countries tend to introduce charges the agricultural sector, both through direct interventions and and indirectly protecting their industrial urban sectors. iv) the level of protection is positively correlated with the level of per capita income. Thus, newly industrialized countries tend to change tariffs to protect their agricultural sector (Guyomard, Haé & Roe, 1993).
This situation has created tensions between major exporters of primary products of developing countries and industrialized countries. The balance of trade of food has been deteriorated in many developing countries since the late 1960s until the mid 1980s while at the same time, the surpluses of food soared in industrialized countries. Agricultural policies are not the only explanation for this result, but they contributed to the North doo policies that had depressed their prices and policies in the South so depressed incentives to producers (Guyomard, Mahé & Roe, 1993, p. 6). Moreover, when financial stress occurs as a result of adverse price conditions, policies were often introduced to alleviate income losses. However, these policies are seldom withdrawn when economic conditions improve. That is what happened with CAP meanwhile the GATT rounds of the negotiations occurred.

At the end of the Uruguay Round in 1994, the WTO and the Dispute Settlement Mechanism were established to administer the trade rules. At least, the Uruguay Agreement on Agriculture (URAA) was also reached. It introduced the first adjustment to the agricultural sector at the multilateral level and demanded that countries reduce their aid and protection to the sector through disciplines barriers to market access (trade restrictions on imports), domestic assistance (financial support and other programs that increase domestic prices and farm income) and export subsidies. The EU was obliged to remove the variables levies (tariffs applied on the boundaries) and to convert them into fixed rates to be reduced over time according to the schedule approved (Tangermann and Cramon-Taubadel, 2013, p. 18).

The fact that farm export subsidies were still to be tolerated continued to distinguish agricultural from industrial goods in the GATT. By the year 2000 farm export subsidies needed to be only about one fifth lower than they were in the late 1980s to comply with the agreement. The budgetary expenditure on export subsidies was to be lowered by 36% from the base period, but for some commodities it might be only the agreed cut subsidized exports (21% for industrial countries, 14% for developing countries) because international food prices in previous years were higher than in the base period, so exportable surpluses have been able to be disposed of with lower subsidy outlays. A second distinguishing feature of the agricultural agreement is that it requires nontariff import barriers to be converted to tariffs (Anderson, 1998).

The United States accepted that the aggregate measure of support – AMS – a measure that should be applied generally and not by product (Mesquita, 2006, p 53.). The EU, in turn, agreed that their levels of intervention prices and export subsidies would also be reduced by 21% by 1999 (Rudloff, 2006, p. 7). The two partners also agreed exceptions to direct
payments to grain producers, who were not fully "decoupled" and at least had fallow commitments (set aside) land. Finally, the "peace clause", limiting recourse to the Dispute Settlement Mechanism during the implementation of the URAA was implemented.

The claimed tariff equivalents for the base period 1986-88, and hence the initial tariff bindings, were in many cases far higher than the tariff equivalents of the time. The UE had set them on average at about 60% above the actual tariff equivalents of the CAP. But as the process of drawing up lists of commitments by each country gave rise, in the absence of multilateral surveillance, higher tariffs than those that actually corresponded to the pre-existing non-tariff barriers were established (the so-called "dirty tariffication") (Mesquita, 2006, p 55). Consequently, the impact on the level of prices of sensitive products such as sugar, meat and dairy was not positive because they did not fall (Josling, 2008, p. 65).

The other consequence of binding tariffs at such a high level was that it allowed countries to set the actual tariff below that but to vary it so as to stabilize the domestic market in much the same way as the EU had done in the past with its system of variable import levies and export subsidies. There was little reduction in fluctuations in international food markets that tariffication was expected to deliver (Anderson, 1998).

It is true that some countries have agreed also to provide a minimum market access opportunity, such that the share of imports in domestic consumption for products subject to import restrictions rises to at least 5 per cent by the year 2000 under a tariff quota. But that access was subject to special safeguard provisions, so it had only offered potential rather than actual access (another form of contingent protection) (Anderson, 1998). So, CAP remained an expensive policy, generating complaints from third countries, particularly Australia, New Zealand and the United States, which condemned the trade diversion caused mainly by the Iberian enlargement of the EU.

Because of the concern among agricultural exporters that the hard-won benefits from the UR agriculture agreement could be reduced by current farm protectionist measures replaced by alternative ones such as quarantine restrictions, an agreement on Sanitary (human and animal health) and Phytosanitary (plant health) – SPS – measures was also negotiated. The SPS Agreement sought to ensure that any such SPS import restrictions would be imposed only to the extent necessary to ensure food safety and animal and plant health on the basis of scientific information, and are the least trade-restrictive measures available to achieve the risk reduction desired (Anderson, 1998). Although there is sufficient vagueness in the wording to ensure that the protectionist abuse of SPS measures – the WTO still managing to discipline this issue, as it is also usually taken as a protectionist measure –, consultations between the
WTO members are leading to conflict resolution in numerous cases and, in other, the Dispute Settlement evidences showed that exporting countries can succeed in getting WTO panels to rule against the some excessive cases.

**Final Remarks**

In this article we argued the CAP is the most paradigmatic, important and complex of common sectorial policies and for economic, but also political and historical purposes that has longer fulfilled the aim of building a unified image of Europe. In spite of this apparent positive integration, the EU’s choice of a common policy based on instruments that led to immediate production based on price support mechanisms, instead of taking a structural one able to lead to the foundation of a common agriculture policy, opened the doors to future imbalances. Since then, the EU’s agriculture trade policy was also influenced by the CAP, since it was conceived as a protectionist policy able to guarantee food security and high agriculture incomes above all through the prioritization of intra-regional trade.

The United States and the Third World countries were the main critics of the EU’s common agricultural policy in the 1960s, since they wanted to get access to the protected agriculture European market. Therefore, the first GATT rounds of multilateral trade negotiations reflected the lack of will of the EU to include agriculture in the general trade liberalization talks. In the EU’s point of view was that for historical, economic and geopolitical purposes, agriculture should be treated as one of the most sensitive issues of the trade agenda, as an exception, that means, could not be discussed as part of a broad trade liberalization agenda. That is why the EU had been hindering a multilateral trade agreement since GATT-1947 was launched. This scenario contrasted with the will of Europeans to negotiate liberalization of industrial goods.

In the 1970s and 1980s, the agriculture surpluses caused by big public steady stimulus and funding to agricultural production implemented by CAP led to the formation of huge and untenable stocks and budgetary imbalances at the EU. Although the European integration bloc started applying for CAP’s incremental and urgent measures until then, they were not enough. Structural reforms were urgent and this situation had created much major tensions between exporters of primary products of developing countries on the one hand and industrialized countries of the EU on the other. The developing countries and the United States wanted that the EU make really structural reforms on CAP.
In the Uruguay Round launched in 1986, the EU was again put under pressure by those internal and external factors. The untenable situation led to the MacSharry Reform in 1992 after many years of insistence of the European Commission – which reduced the level of support price mechanism and introduced the decoupled direct support to the level of production and included limits of production to avoid surpluses measures for rural development with focus on the environment and mandatory set-asides – before the GATT Round was finished. Despite the improvements, the MacSharry Reform did not cause significant changes in the CAP in the following years and other reforms ended up having to be made.

Least but not last, in 1994 important GATT aims were reached in Uruguay: the WTO and the Dispute Settlement Mechanism were established to administer the trade rules. At least, the Uruguay Agreement on Agriculture (URAA) was settled addressing a minimum market access opportunity, exceptions to direct payments to grain producers, and at least commitments to set aside land. Finally, the "peace clause", limiting recourses to the Dispute Settlement Mechanism during the implementation of the URAA was approved. In spite of this step ahead, neither the MacSharry Reform nor the URAA could make substantial changes in CAP. The lack of political interest of some CAP beneficiary Member States and no significant changes made by the MacSharry Reform – that could be seen with the dirty tariffication – and the difficulty to change the CAP’s foundational structure were the main reasons. At the same time, he EU continued hindering the international agriculture trade negotiations.

References


