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**Agricultural Brinkmanship:
The Community and the Gatt Uruguay Round**

by

Earl F. Gibbons, Jr.

**Graduate School of Public and International Affairs,
University of Pittsburgh**

Prepared for the European Community Studies Association Biennial Conference,
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West European Studies Program
University Center for International Studies
University of Pittsburgh, Pittsburgh, PA 15260
Tel: (412) 648-7405; Fax: (412) 648-2199

AGRICULTURAL BRINKMANSHIP:

THE COMMUNITY AND THE GATT URUGUAY ROUND

Earl F. Gibbons, Jr.

**Doctoral Candidate
Graduate School of Public and International Affairs
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INTRODUCTION

When the General Agreement on Tariffs and Trade's (GATT) Uruguay Round trade negotiations were indefinitely suspended on December 7, 1990, most analysts agreed that the proximate cause of the collapse was the European Community's intransigence in the agricultural negotiations. The EC's uncompromising stance in the area of farm trade puzzled many observers, especially those inclined to see things in terms of a straightforward rational cost-benefit analysis. For these critics, explanation of such behavior must rest with national governments who lacked the political will to confront powerful domestic farm lobbies. The resulting paralysis led to the irrational result that farming, a sector which provides only 3% of Community GNP, had been preserved by sacrificing potential agreements in other sectors, including trade in services, which contribute more than 70% of Community GNP.

Other explanations have also been offered for the Community's decision to hold fast to its bargaining position in the face of intense opposition. These explanations focus variously on the Community's unwillingness to accept an international agreement on farm trade that jeopardized the "internal" programs of the Common Agricultural Policy (CAP); the inflexibility of the Community's position caused by difficulties inherent in forging a consensus between the twelve sovereign members of the EC; and the fact that in the midst of the GATT negotiations both Community institutions and European national governments became preoccupied with a series of critical events, including the democratic transformation of Eastern Europe, the absorption of East Germany into the Community, the Kuwait crisis and the Gulf War.

While not dismissing these arguments, this paper explores another potential explanation: the deliberate pursuit, on the part of the Community, of a minimalist negotiating strategy based in large part on historical experience. The analysis has two distinct, though interwoven, strands. On the one hand, using the theoretical framework provided by international negotiating theory, the Community's tactics are evaluated for appropriateness and

effectiveness. While on the other hand, drawing on the Community's performance in previous rounds of GATT negotiations, particularly vis-a-vis negotiations with the United States, the argument is made that the Community's Uruguay Round bargaining strategy was shaped in large part by those past negotiations.

The purpose of this paper is not to lay the blame for the failure of the Uruguay Round at the doorstep of the European Community. Responsibility for the failure of the negotiations must be shared by all the major participants. Neither does it rely on any assumption about the relative merits of free trade or the "fairness" of any nation's negotiating proposals. Most importantly, this alternative explanation is not offered in place of the aforementioned explanations. Instead, it is both meant to supplement those explanations and to render a more dispassionate, theoretical analysis in place of their more value laden and/or intuitive judgements. However, before proceeding with this argument it will be necessary to briefly recap the origins of the Uruguay Round negotiations and some other background information.

BACKGROUND

For well over four years, more than 100 nations have been negotiating the further liberalization of world trade. Meeting under the auspices of the General Agreement on Tariffs and Trade (GATT), the international organization which administers the global trade regime, these nations have been attempting to bring additional sectors of global commerce under GATT discipline. Although there are fifteen such sectors of negotiation, one particular sector, agriculture, has been at the center of the negotiations since their beginning in September 1986, at Punta del Este, Uruguay.¹

¹ The "Ministerial Declaration on the Uruguay Round" says of agriculture, "Contracting parties agree that there is an urgent need to bring more discipline and predictability to world agricultural trade...negotiations shall aim to achieve greater liberalization of trade in

The Uruguay Round, as the talks are known, was scheduled to end in a final ministerial conference in Brussels, Belgium on December 3-7, 1990. This final session ended in failure and the talks were temporarily suspended. Both observers and participants have since cited the European Community's unwillingness to compromise on the subject of agricultural subsidies as the proximate cause of the collapse. Without minimizing the Community's role and responsibility in causing the collapse, in fairness it must be pointed out that the reasons for failure are more complex and the guilty parties more numerous.

Just as agriculture was the main impetus for initiating the Uruguay Round, so it is now proving to be its undoing. Reforming world agricultural trade has, so far, been impossible. All previous efforts to use the GATT framework to liberalize the sector have failed. The principle reason for this failure has been the intransigence of the two largest international traders, the United States and the European Community. EC and US agricultural interests are poorly matched making it very hard to get the "balance of concessions" the GATT articles call for.²

Agriculture has always been treated as a special case by national governments. Michael Aho has pointed out, "Agriculture is the only trade sector headed by a cabinet ministry," making decisions in this sector important foreign policy issues.³ Food trade is said to be different, to be "too important to be left to

agriculture...by:...the reduction of import barriers;...increasing discipline on the use of all direct and indirect subsidies; minimizing the adverse effects of sanitary and phytosanitary regulations..." reprinted in C. Michael Aho and Jonathan David Aronson, Trade Talks: America Better Listen!, (New York: Council on Foreign Relations, 1986), Appendix III, p. 176.

² Richard L. Paarlberg, Fixing Farm Trade: Policy Options for the United States, (Ballinger Publishing Co.: Cambridge, MA, 1988), pp. vii-viii.

³ Michael Aho, in Robert L. Paarlberg, op. cit.

market forces".⁴ Forces that would lead, it is argued, to dramatic price fluctuations, trade imbalances, national food insecurity, and to adverse social consequences such as the depopulation of the countryside and large scale unemployment.⁵

A special status has been extended to international agricultural trade since the GATT's inception. It was the United States which first insisted that agriculture be exempted from GATT disciplines. The US demanded a formal waiver for its agriculture in 1955 and in 1958 refused to give GATT jurisdiction over agricultural export subsidies.⁶ However, since the 1961-62 Dillon Round of GATT negotiations the United States has been interested in bringing farm trade into the GATT, but the European Community has staunchly, and successfully, opposed this in an effort to defend the Common Agricultural Policy against external interference.

Today the unregulated growth of such subsidies and other trade distorting agriculture policies, chiefly practiced by rich industrialized countries, has led to burgeoning government budget deficits, enormous wealth transfers from consumers to farmers, and serious obstacles to the economic development of third world agricultural exporters. Worldwide agricultural subsidies cost governments and taxpayers \$250 billion annually.

The need to regain control over these policies is widely acknowledged, however countries are unwilling to dismantle such programs without assurances that other nations will do so as well. Both the United States and the European Community endorsed the idea

⁴ Carlisle Ford Runge, "The Assault on Agricultural Protectionism," Foreign Affairs, Fall 1988, vol. 67, #1, p. 137.

⁵ Neill Nugent, The Government and Politics of the European Community, (Durham, NC: Duke University Press, 1989), pp. 281-82.

⁶ Ross B. Talbot, "Foundations of the CAP and the Development of US-EC Agricultural Trade Relations," in The Curry Foundation, Confrontation or Negotiation: United States Policy and European Agriculture, (New York: Associated Faculty Press, 1985), p. 40.

of launching a new trade round which would encompass agricultural trade. The Commission's statement reads in part,

"As regards negotiations on agriculture in the New Round, the Community is ready to work towards improvements within the existing framework of the rules and disciplines in GATT covering all aspects of trade in agricultural products, both as to imports and as to exports, taking full account of the specific characteristics and problems in agriculture.

However, the EC's statement goes on to qualify its commitment to reform saying,

"The Council is determined that the fundamental objectives and mechanisms both internal and external of the CAP shall not be placed in question."⁷

The EC conceded only minor points on agriculture during the Kennedy Round (1963-67) and thwarted the Tokyo Round's (1973-79) efforts at agricultural reform. In fact, the Commission was able at that time to extract from US Trade Representative Robert Strauss a written pledge that the US did not wish to undermine the CAP.⁸ It is to a brief description of the CAP that we now turn.

THE COMMON AGRICULTURAL POLICY

The CAP, begun in 1958, was largely a French design.⁹ It was an explicit bargain between the French and the West Germans, in which the Federal Republic of Germany was given Community wide, protected access for its manufactured goods while France secured the same treatment for its agricultural produce. The CAP adopted the cereals pricing scheme of the inefficient and expensive German farm program. The other four nations of the Community - Belgium,

⁷ European Commission, "European Commission Statement of the Council on a New Round of Trade Negotiations," March 19, 1985, paragraph #4.

⁸ Michael Tracy, Government and Agriculture in Western Europe, 1880-1988, 3rd edition, (New York: New York University Press, 1989), pp. 348-350.

⁹ Joan Pearce, The Common Agricultural Policy, (London: Routledge & Kegan Paul, 1981), p. 16.

Luxembourg, Netherlands, and Italy - also found the program agreeable although less for economic reasons than for political and idealistic ones.¹⁰ CAP was and is a symbol of European economic integration. Initially it was believed that farmers were the type of "functional" group "whose common interests would transcend national boundaries and help to advance" the process of European Integration.¹¹

Since that time the CAP has become a fully developed policy. In fact, for many years it was essentially the Community's only policy and as a result was jealously guarded. Article 39 of the Treaty of Rome laid out the five main goals of the policy: to increase productivity; to ensure a fair standard of living; to stabilize markets; to guarantee food supplies; and to provide consumers with reasonable prices.¹² In some respects the Common Agricultural Policy has been a success. For example, before the CAP the Community had long been a net agricultural importer, but with the technological and productivity advances fostered by the CAP it has become a major exporter of foodstuffs.¹³ However, by most definitions the shortcomings of the policy outnumber its successes. The CAP has failed to increase farm incomes or to prevent mass

¹⁰ Christopher Tugendhat, Making Sense of Europe, (New York: Columbia University Press, 1988), pp. 36-7.

¹¹ "While the CAP has not generated integration in the way envisaged, a folklore has grown up which depicts the CAP as it was intended to be." Pearce, op. cit., p. 18.

¹² Commission of the European Communities, "The Community's Agricultural Policy on the Threshold of the 1990s" January 1990, CC-AD-90-001-EN-C, p. 6.

¹³ The European Community is now the world's largest exporter accounting for 17% of global agricultural trade. France in turn is the largest food exporter among Community members. The United States has a 16% share of world farm trade. "Farm Trade Row: The Players," Financial Times, December 7, 1990, p. 2.

migration off the land.¹⁴ Despite its failure to deliver the desired economic conditions it has cost the Community billions of dollars each year, prompted wasteful agricultural surpluses, and contributed to the depression of world commodity prices.

The Community's commitment to the CAP cannot be overemphasized. EC Agricultural Commissioner Ray MacSharry has recently said that, "The CAP has been the central pillar in the Community's institutional system. It has been the forerunner of the single market. It is the political and economic cement which holds together the different parts of the Community."¹⁵ Arguably, the newly reinvigorated European Community no longer is in need of such institutional cement, certainly it is no longer the Community's only meaningful policy program. Today though it is a mechanism for side payments to the member states that has substantially displaced each states' national policies for farm support.

Critics of the CAP have called the policy financially irrational, still, the European Community vigorously defends it against attack even while acknowledging the necessity for reform. A limited reform did in fact take place during the latter years of the 1980's and until recently the CAP's share of the Community budget was declining. But, this reigning in of the program's costs

¹⁴ Although he was speaking specifically of Ireland, Raymond Crotty, an agricultural economist, summed up the general criticisms of the CAP well when he claimed recently that the CAP had failed to improve farm incomes or to stop the migration off the land as intended. While Crotty acknowledged that European farm productivity had increased enormously under the CAP he pointed out that such gains came at the expense of agriculture diversity. As virtually all Community farmers rushed to plant the same most heavily subsidized crops they actually put farming "in a situation of precariousness that is without parallel." Kieran Cooke, "Ireland's Family Farmers See Little Future," Financial Times, December 4, 1990, p. 38.

¹⁵ Ray MacSharry, "Commemorating 30 Years of the Common Agricultural Policy," Speech at the reception for the Dublin Horse Show, July 19, 1990. European Community News, July 19, 1990, No. 30/90, p. 1.

was aided by a global economic boom and a serious drought throughout US farm states. Today, both American and European farmers are producing bountiful harvests with the result that competition is intensifying and EC commodity surpluses are once again expanding.

THE CONTENDING ACTORS

The United States

The essence of the American position is a proposal to "shift the objective of agricultural policy from supporting farm prices to supporting farm income."¹⁶ The American government is driven by a realization of three facts. First, the extent of the federal budget deficit necessitates a cutback in government spending. Unamended the 1990 US Farm Bill would have cost the government \$54 billion over five years.¹⁷ Second, the programs are ineffective in one of the principal purposes, the preservation of the family farm. Two-thirds of the money goes to the richest 15% of US farmers while only 10% reaches the bottom 70%.¹⁸ Third, the US administration believes that the American agricultural sector is among the most competitive in the world and would therefore garner a much larger share of global food exports if it did not have to compete with subsidized products or pay high tariffs.

From the outset of negotiations the US strategy has been to stake-out the moral high ground in the public debate on farm trade reform. The Reagan administration's initial goal was the complete elimination of all trade distorting policies by the year 2000. Both

¹⁶ Runge, op. cit., pp. 135-36.

¹⁷ The 1990 US Federal budget compromise stipulated a \$13.6 billion (25%) cut in farm programs over the next five years. Kenneth H. Bacon and Bruce Ingersoll. "Budget Package Will Slow Entitlement Appropriations by About \$100 Billion," The Wall Street Journal, October 26, 1990, p. A6.

¹⁸ "Get Fat Farmers Off Welfare," editorial, New York Times, June 19, 1990, p. A14.

the EC and Japan dismissed this as unrealistic. While this proposal has since been modified, as will be seen below, what remains is still an ambitious plan.

The US proposed that specific reductions be made in each of the three main types of trade distorting practices: export subsidies, border controls and, domestic supports. As a first step all trade distorting programs would be converted to their import tariff equivalent to make them more visible, a process known as tarrification. The original proposal then called for the gradual phase out of these tariffs by the year 2000. The package was later modified in an attempt to draw out the Europeans. This new proposal, which at this writing is still the US's position, calls for a 75% cut in internal supports and a 90% cut in export subsidies over a ten year period between the years 1991-2000.¹⁹

During the latter portion of the four year long Uruguay Round the US was confronted with an increasingly serious time constraint. At the time the current round was initiated the American Congress granted the then Reagan administration "fast track" negotiating authority. The fast track option, which expired March 1, 1991, would have provided for the speedy adoption by the Congress of any new GATT agreement. It requires a simple yes or no vote on the agreement and does not allow the Congress to amend the new legislation. This has become a crucial element of the present GATT negotiations because the Congress is no longer believed to strongly support free trade.²⁰

¹⁹ Clyde H. Farnsworth, "US Plans Farm Trade Concession," New York Times, October 15, 1990, p. C1.

²⁰ In fact, the simple yes or no vote no longer guarantees passage either. Originally intended to prevent Congress from making line-by-line changes to any GATT agreement it was widely assumed that the overall value of any trade package would be appealing enough to dictate passage even if Congress disliked some elements of the deal. However, the 1991 Congress is far from sold on the merits of free trade; and as the American economy slips into recession protectionism is gaining broader Congressional support. At the time of writing, Congress had not acted on

The European Community

The EC position is deliberately paradoxical. The Community acknowledges the need to reform the CAP while at the same time stipulating that it will not agree to any reform package that would cut into its CAP program. In fact, the official Community position is that the CAP is an internal program not subject to GATT interference.

By and large the Community would prefer a managed trade, as opposed to free trade, solution. One which called for small, gradual reductions over an extended period; and which would leave the Community free to determine how this reduction was accomplished in relation to the CAP.

A key element of the EC position is its insistence that all cuts in farm support made since the round began be counted toward fulfilling any future agreement.²¹ Another element is the Aggregate Measure of Support (AMS). The thrust of this policy is to require a "global" approach to the various supports rather than a specific one. The idea being to agree to reduce aggregate levels of support, but to allow states to use different policies to achieve this. The key to this is the concept of rebalancing, a practice by which individual tariffs could actually go up when others went down. The US rejects this out of hand.

The Community's greatest interest in the Uruguay Round is in the area of services which account for more than 70% of its GNP while agriculture represents less than 3%. It is the Third World which must give concessions if there is to be a settlement in this

President Bush's request for extended fast-track authority.

²¹ In December 1986, just months after the round began, the EC Agricultural Council assured its farmers that, "The Community will ensure that, in the future international trade negotiations, the quota reductions already agreed are not simply taken for granted..." "The Agreement on Agriculture of December 16, 1986," Green Europe, (Brussels: Agricultural Information Service of the Directorate-General Information, European Commission).

area and the EC will be a main beneficiary. However, the developing nations are demanding that their concessions on services be matched by the opening of world agricultural markets to their produce. Other beneficiaries of such an opening would be the emerging democracies of Eastern Europe.²²

NEGOTIATION THEORY

The basic tenets of negotiation theory have remained the same "since the beginning of history." Drawing on the work of Fred C. Ikle, I. William Zartman, Roger Fisher, Arthur Lall,²³ and others the maxims most relevant to this discussion can be summarized as follows:

- * Agreeing to put a topic on the agenda signals a willingness to make it the subject of negotiation.
- * Negotiation requires a willingness to compromise. Both sides must make concessions and demonstrate flexibility.
- * Proposals play a key a role in bringing about agreement.
- * Deadlines tend to facilitate agreement when all parties value agreement over non-agreement.
- * The interaction of expectations is an essential feature of negotiation.
- * Pluralistic delegations need to establish clear decision-

²² The International Monetary Fund estimates that an end to all farm supports by the industrialized world would allow developing nations to earn an additional \$50 billion in foreign exchange annually. This would accelerate their modernization, improve Third World standards of living, and relieve some of their international indebtedness. Peter Montagnon and William Dulforce, "IMF Intervenes in Farm Row," Financial Times, December 5, 1990, p. 3.

²³ Fred Charles Ikle, How Nations Negotiate, (Harper & Row: New York, 1964); I. William Zartman and Maureen R. Berman, The Practical Negotiator, (Yale University Press: New Haven, CT, 1982); Roger Fisher, Getting to Yes: Negotiating Agreement Without Giving In, (Houghton Mifflin: Boston, 1981); Arthur Lall, Modern International Negotiation: Principles and Practice, (Columbia University Press: New York, 1966).

making authority if they are to be able to effectively formulate positions.

These tenets enable us to form a yardstick against which to measure the tactics employed in international negotiation without engaging in a normative evaluation of the content of various bargaining positions. As Zartman points out, "Negotiation theory is about process, it is not about outcomes."²⁴

THE EUROPEAN COMMUNITY and the URUGUAY ROUND

The Uruguay Round was in many respects a replay of past Community performances in GATT agricultural negotiations. The Community has played a role in three previous rounds of GATT talks: the Dillon Round, 1961-62; the Kennedy Round, 1963-67; and the Tokyo Round, 1973-78.²⁵ The level of Community involvement has differed from round to round with the Tokyo Round being most similar to the current Uruguay Round.

The similarities between the Community's stance in Uruguay talks and past negotiating rounds begin with the Community's opening declarations. In the Tokyo Round the EC had stated "the principle of the Common Agricultural Policy should not be called into question in dealing with this sector."²⁶ During the Tokyo Round the EC had been successful in making that stipulation hold. It will be recalled that the Community had also qualified its commitment to negotiate on farm trade in the Uruguay Round by saying, "The Council is determined that the fundamental objectives

²⁴ Zartman, op. cit., p. 11.

²⁵ The autonomy of the Community's role has, of course, increased over the successive rounds. The Tokyo and Uruguay Rounds are the most comparable in terms of EC authority to represent the Community's members. Much of the discussion will focus on the parallels between those two series of talks.

²⁶ Commission of the European Communities, "Development of an Overall Approach to Trade in View of the Coming Multilateral Negotiations in GATT, 22 May 1973," Bulletin of the European Communities, Supplement, 2/73.

and mechanisms both internal and external of the CAP shall not be placed in question."

In both rounds, the Community had agreed to discuss agriculture, but had firmly set out that it would not discuss the CAP. The EC did not concern itself with how these seemingly contradictory commitments could be reconciled. Its trading partners ignored the qualification and took notice only of the willingness to discuss farm trade, which brings us to the first two principles of negotiation.

"Agreeing to put a topic on the agenda signals a willingness to make it the subject of negotiation."

"Negotiation requires a willingness to compromise. Both sides must make concessions and demonstrate flexibility."

Nowhere is the US-EC practice of talking past each other more apparent than in their respective understandings of the agenda. The United States had entered the round calling for "greater discipline over agricultural trade", while the Community had promised it was "ready to work toward improvements." Years later, at the contentious Uruguay Round mid-term review meeting, the US and EC agreed that "substantial progressive reductions" should be made "over an agreed period of time."²⁷ It is not unusual for parties to international negotiations to carefully craft joint statements in ambiguous terms. Equivocal language is often used to paper-over disagreements, but in this case the divergence in interpretations is extremely pronounced. Either the United States deceived itself about what had been agreed or the Community knowingly made an empty pledge. The Community did not regard the mid-term pledge to represent any concession.

The differences of understanding were even more pronounced at the Houston Economic Summit. In July 1990 the heads of government of the United States, France, Britain, Germany, and Italy; as well as the President of the European Commission, Jacques Delors were

²⁷ Jilyan Kelly and Stephen Woolcock. "GATT: A Mid-Term Agreement," The World Today, June 1989, pp. 92-93.

together in Houston, Texas for the annual "Group of Seven" economic summit.²⁸ The US quickly turned the conference into a high pressure agricultural negotiation. While probably not surprised to find the subject on the agenda the Europeans were "openly taken aback by the vehemence of the [American] attack." United States Trade Representative (USTR) Carla Hills and Agricultural Secretary Clayton Yeutter delivered a one-two knockout punch of blistering accusations.²⁹

Although it took nine hours of continuous wrangling, in the end the Bush team of Hills and Yeutter prevailed. The final communique from the summit declared each leader willing to undertake a "high level [of] personal involvement" to ensure that the GATT farm talks succeeded.

The Bush administration proclaimed victory in its struggle to liberalize global farm trade. The Houston comments of the various leaders were indeed encouraging. Reportedly, Helmut Kohl had privately assured Mr. Bush that he favored compromise; in public he told reporters, and his own farmers, that "Agricultural subsidies are to be substantially reduced."³⁰ Even Jacques Delors admitted the time had come to compromise. "We cannot keep saying, No. No. No.," he told reporters.³¹ Only President Mitterrand interjected a note of caution into the otherwise positive pronouncements of satisfaction that came out of the weekend meeting. "We don't want," he warned, "an imbalance in which European farmers would suffer."³²

²⁸ The remaining members of the seven are Japan and Canada. The European Commission is actually the 8th member of the Group of Seven.

²⁹ "Triple Entente," The Economist, July 14, 1990, pp. 27-29.

³⁰ Ibid.

³¹ Ibid.

³² Hobart Rowan and Dan Balz, "Taking the Middle Road Toward a New World Economy," The Washington Post National Weekly Edition, July 16-22, 1990, p. 22.

The euphoria lasted only as long as it took the Europeans to return home. Within days of the Houston summit the Europeans were claiming that the communique that USTR Hills had characterized as representing "quite an evolution of the EC position"³³ actually failed to alter their stand at all. After the Tuesday, July 17th meeting of the Council of Trade Ministers some of the national representatives expressed reservations about the De Zeeuw compromise while others said outright that they "would stick firmly to the EC's previous line."³⁴ Then on Thursday, just four days before the GATT talks were to reconvene in Geneva, Agricultural Commissioner MacSharry told an assembly of Irish farmers,

"At Houston, Europe's leaders undertook to do no more and no less in relation to liberalization of agricultural trade in the final stages of the Uruguay Round than we had already agreed at the beginning of the round in Punta del Este in 1986 and confirmed in greater detail in Geneva at the mid-term review of April 1989. Once again the Uruguay Round had been put in jeopardy by the wish of some of the contracting parties to break out of the agreed negotiating parameters."³⁵

An angry Clayton Yeutter responded that, "As a result of the Houston meeting it will be impossible for the EC any longer to resist the negotiation of definitive commitments," adding, "I hope our friends in the EC do not miscalculate or underestimate the US resolve in this respect."³⁶

"Proposals play a key a role in bringing about agreement."

Placing an issue on the agenda signifies a willingness to negotiate. Negotiation is the art of compromise, it is "a process in which explicit proposals are put forward ostensibly for the

³³ Auerbach, op. cit.

³⁴ William Dulforce, "Defiant Stand by EC Fuels Crisis," Financial Times, July 20, 1990, p. 4.

³⁵ MacSharry speech at the Dublin Horse Show, op. cit.

³⁶ Peter Montagnon, "Yeutter Warns EC Over Farm Trade Reform," Financial Times, July 19, 1990, p. 3.

purpose of reaching agreement."³⁷ The Community has avoided and delayed its presentation of bargaining proposals in Kennedy, Tokyo, and Uruguay Rounds.³⁸ In each case, by stalling on its proposals it has delayed the beginning of "serious negotiations" by years.

The Mid-Term Review meetings held in Montreal in December 1988 offer a case in point. The only proposal on the table in Montreal was that of the US. The Community simply refused to respond to such a "far fetched proposal." (At the time the United States was still pushing its "zero option", the total elimination of direct and indirect subsidies.) Anxious to demonstrate progress to the American Congress, the Reagan administration had built up false hopes of an early and favorable agricultural deal. This only served to irritate the European Community and heighten tensions at the meetings.

The EC already had long experience of brinkmanship in its dealings with the US over agriculture and refused to yield preferring to wait and see what the new administration of George Bush would do when it took office in January.³⁹ Potentially, two different historical analogies could have influenced the Community's decision to stand fast.

First, the Community had seen previous United States administrations back down from equally strong pledges to the American Congress. During the Kennedy Round President Lyndon Johnson had declared, "The United States will enter no ultimate agreement unless progress is registered toward liberalization on the products of our farms as well as our factories."⁴⁰ The final agreement the United States signed did nothing to fulfill this

³⁷ Ikle, op. cit., p. 3.

³⁸ In the Kennedy Round a portion of the delay was the result of an internal crisis in the EC.

³⁹ Ibid.

⁴⁰ Quoted in Robert L. Paarlberg, Fixing Farm Trade: Policy Options for the United States, (Ballinger Publishing Co: Cambridge, MA, 1988), p. 48.

promise.

Second, in the Tokyo Round, the Community had benefitted by waiting out the American presidential election and the transition from the administration of Gerald Ford to that of Jimmy Carter. The 1988 Montreal meetings took place in the waning days of the Reagan administration. The Community appeared to believe - as Robert Paarlberg had predicted they might - that the zero option proposal was "the ideological parting shot of a lame duck US administration, rather than a foundation for serious negotiations."⁴¹

President Ford's United States Trade Representative (USTR), Frederick B. Dent and his deputy Clayton K. Yeutter were considered to be "trade hawks." Winham has characterized the Ford administration's stance on agricultural trade "a nearly theological position."⁴² In contrast, the Carter administration was seen as more anxious to conclude a new GATT agreement while Carter's USTR, Robert Strauss was regarded as a more pragmatic negotiator. These appraisals were born out in the first few months of the Carter administration when the US dropped a key demand of the Ford administration - that agriculture be treated the same as other sectors - in exchange for nothing more than an EC commitment to a timely conclusion to negotiations.⁴³

Once again confronted with a hawkish American trade delegation, ironically led again by Yeutter, it is not surprising the Community chose to wait out the transition to the Bush administration. However, at that point the analogy collapses. The

⁴¹ Ibid., p. 70.

⁴² Gilbert R. Winham, International Trade and the Tokyo Round Negotiation, (Princeton University Press: Princeton, NJ, 1986), p. 167.

⁴³ Robert Strauss is often quoted as having assured EC officials, "You have sacred cows and we have sacred cows, no one is in the business of slaughtering sacred cows." Whether he said this or not, Strauss did write a letter to Agricultural Commissioner Finn Gunelach in which he promised the United States did not intend to undermine the CAP. Tracy, op. cit., p. 350.

Ford-Carter transition represented a change of ruling parties and a shift toward a more multilateral outlook on the part of the US. The Reagan-Bush transition, although certainly not without differences in emphasis, represented more continuity than change in US policies. Further, as events bore out, it did not mean the wholesale restructuring of the US delegation. Yeutter remained active in the negotiations, though as Secretary of Agriculture, and his replacement as USTR, Carla Hills, appeared to be equally determined to force open world markets.

Still the Community continued to follow its slow approach, apparently convinced that, like Carter, Bush wanted agreement very badly. Although the Mid-Term agreement finally reached in Geneva in April 1989 had cleared the way for more detailed farm trade negotiations it was December 1989 before a position paper emerged from the Agricultural Council of Ministers. The EC proposal was met with disappointment. With one exception it contained no new ideas, an apparent willingness to accept the US idea of tariffication. However, the EC proposal called for only partial tariffication and required that in return for this concession it be allowed to adopt another mechanism called "rebalancing". Rebalancing specifically allowed for the increase in some subsidies so long as the overall trend was downward. The US regarded this as a ruse to allow the Community to introduce import restrictions on commodities like soybeans which are not now protected.⁴⁴ The Community also indicated its intention to use 1986 as the base year for any reductions "in order to give credit for measures which have been adopted since launching the Uruguay Round."⁴⁵

⁴⁴ Tim Dickson. "EC Finalizes its Uruguay Round Stance," Financial Times, December 14, 1989, p. 4.

⁴⁵ "European Community Submits Comprehensive Agriculture Plan to Uruguay Round Negotiations," European Community News, December 19, 1989, 47/89, p. 2.

When five of the most prominent agricultural ministers⁴⁶ met together in Orlando, FL in early January 1990 the seriousness of the unfolding crisis became apparent. What also became apparent was the divergent impressions held by the EC and US concerning the status of negotiations. While US Agricultural Secretary Clayton Yeutter was predicting that the Uruguay Round had no better than a 50-50 chance of reaching agreement; Mr. Ray MacSharry, the EC Commissioner for Agriculture, was less concerned saying only that a long negotiation lay ahead.

This focus on the extreme long-term in the negotiations is a consistent aspect of the EC's negotiating behavior. The EC official with overall responsibility for the GATT negotiations in all sectors, Mr. Frans Andriessen, External Relations Commissioner, repeatedly indicated "there will be an accent on the final negotiations" going so far as to predict a photo-finish in December 1990.⁴⁷ On another occasion in early May, nearly eight months before the final deadline, an unnamed Commission official predicted that a farm settlement would "be a matter for the last week or the last night - or even the last minute."⁴⁸ About this time the US began to complain that it had been unable to engage the EC in any serious negotiation.⁴⁹ Although MacSharry dismissed the charge as absurd a similar complaint came from inside the Community, notably from Italian Foreign Trade Minister Renato Ruggiero who felt the

⁴⁶ The United States, European Community, Japan, Australia, and Canada.

⁴⁷ Peter Montagnon. "EC Adds Its Weight to Moves to Formalize GATT," Financial Times, April 6, 1990, p. 8.

⁴⁸ Bridget Bloom. "US-EC Farm Talks Turn Positive," Financial Times, May 3, 1990, p. 8.

⁴⁹ "MacSharry Rejects US Criticism of EC Farm Policy," European Community News, 13/90, March 23, 1990, p. 1.

Commission, and particularly Mr. Andriessen, was preoccupied.⁵⁰

This leads to the issue of deadlines and the related issue of differing expectations about the desirability of agreement. Negotiation theory provides the following two tenets:

"Deadlines tend to facilitate agreement when all parties value agreement over non-agreement."

"The interaction of expectations is an essential feature of negotiation."

By August 1990 it was becoming obvious that the United States delegation felt more pressured by the rapidly approaching deadline. This in turn could not help but influence expectations in the Community that the US would eventually blink. When GATT talks were temporarily halted on August 27th the New York Times lamented the "failure" in Geneva and announced in its headline that the "stalled talks" had been "suspended". Former USTR predicted after the suspension that, "It will now take an act of great political will for the round to be successful. We just can't wait until the last minute to resolve this matter. The issues are too large, too complicated." Deputy USTR Julius Katz echoed that sentiment. "Time has become our enemy," he said.⁵¹ For their part the Europeans expressed puzzlement over the US's disappointment. "We still have four months to go," pointed out one unnamed Community official, "and so no one should be terribly discouraged."⁵²

It is hard to understand how the two delegations could have such vastly different impressions of how the talks were progressing. But, when asked, Community officials would appear

⁵⁰ Preoccupied with the Community's relations with Eastern Europe, with plans for economic and monetary union, and of course with 1992. "EC and the GATT Round," editorial, Financial Times, April 10, 1990, p. 20.

⁵¹ Clyde H. Farnsworth, "Stalled Geneva Farm Talks Are Suspended for a Month," New York Times, July 25, 1990, p. C1.

⁵² Ibid.

sanguine about the Round's prospects and they would never use terms such as "failure", "crisis", "urgent", or "emergency".

Throughout the four years of the Uruguay Round the European Community repeatedly professed interest in, and a commitment to reform of agricultural trade practices. Yet, little was done to back up this rhetorical commitment with action. The eventual Community bargaining proposal that emerged fell far short of the American and Cairns Group demands.⁵³ Ikle has pointed out that one effective, if risky, tactic to employ in negotiations is to "show that no agreement will always look more attractive to you than an agreement for which you would have to reduce your terms."⁵⁴ Non-agreement on agriculture would not be failure for the Community, in fact, it would give the EC greater latitude in reforming the CAP. Conversely, the Bush administration saw non-agreement as synonymous with failure. This seemingly provides the rationale for the Community's stance. Based on past history, the EC could plausibly expect that the American desire for agreement would ultimately lead to a compromise very favorable to Community agricultural interests. Of course a strategy drawn exclusively from the lessons of the past would fail to appreciate that this time the United States was prepared to forego any GATT agreement that did not include agriculture.⁵⁵

The Community's expectations of US behavior profoundly influenced its own actions. Time after time, members of the

⁵³ In late July 1990, Agricultural Commissioner MacSharry had proposed that the EC would, over the course of ten years, cut its farm supports by 30% from the levels of 1986.

⁵⁴ Ikle, How Nations Negotiate, op. cit., p. 71.

⁵⁵ Paraphrasing Europeans Mr. Yeutter said, "You Americans sound tough - but we know that at the end of the day, you'll blink." Mr. Yeutter went on to warn that following such a strategy would be dangerous for Europeans and "doomed to be proven incorrect." David Marsh, "US Warns It Will Not Soften Line on Agricultural Reform," Financial Times, November 15, 1990, p. 1.

Commission and other officials voiced opinions which indicated they did not take the American rhetoric seriously. Despite the American rejection of the MacSharry proposal the Commission and the Council of Ministers staunchly stuck with it even after the US amended its own proposal in September 1990. In the end the Community was convinced that the US proposals were not even acceptable to the US Congress and therefore useless, even dangerous, as a basis for negotiations.

This view is graphically illustrated by an op-ed piece written by former Commission official Roy Denman. Denman writes,

"Getting agricultural trade straight internationally is not an overnight proposition. All the more because fulfillment of the US side of the bargain is unlikely. The [American] executive branch can propose whatever it likes; what matters is what Congress later accepts. After the Kennedy Round, it threw out a multilateral agreement on chemical tariffs and antidumping. 'Too bad,' our American friends said. 'That's our system. You should have known better.'"⁵⁶

"Pluralistic delegations need to establish clear decision-making authority if they are to be able to effectively formulate positions."

Much has been made of the European Community's very real difficulties in pushing the MacSharry proposal through the Commission and Council of Ministers. As the negotiating tenet above, drawn from Zartman's The Practical Negotiator, suggests the larger the number of parties involved on a single side of a negotiation the harder it will be to arrive at a common position. Likewise, once arrived at, it is doubtful the position will exhibit much flexibility. In this respect the Community's institutional arrangements hobble its ability to engage as an equal partner in international negotiations. As Helen Wallace has noted, "The institutional framework of the EC is still far from embodying decision rules that permit or encourage negotiators to achieve

⁵⁶ Roy Denman, "Why the Trade Talks Fizzled," The New York Times, December 20, 1990, p. A19.

optimal results."⁵⁷

However, given that at present this is the environment the Commission must work in, it could also be argued that a good negotiator would attempt to make the best of an otherwise constraining situation. The Community, rather than being embarrassed, may have welcomed, in a way, the very visible differences of opinion in the Commission and the Council and especially the demonstrations of Community farmers.⁵⁸

In the past Zartman writes, "The European Communities have used their own divisions and difficulties in arriving at a decision: 'You had better accept this package that we put together with such difficulty, because if you don't we will never be able to get together on another one.'"⁵⁹ The Commission is certainly as aware of this previous experience as is Zartman.

A FINAL MAXIM OF NEGOTIATION

Although not a tenet of negotiating strategy, one final maxim of international negotiation may also contribute to a fuller explanation of the outcome of the Uruguay Round. Arthur Lall has written, "When there is a real or assumed significant disparity of power between the parties to a dispute or situation, or when one of the parties is imbued with a sense of growing power, then such disparity or sense of buoyant power may militate against resort to

⁵⁷ Helen Wallace, "The Best is the Enemy of the Could: Bargaining in the European Community," in Tardoti et al eds., Agricultural Trade Liberalization and the European Community, (Clarendon Press: Oxford, 1989), p. 205.

⁵⁸ French Agricultural Minister Louis Mermaz reportedly encouraged Europe's farmers to take to the streets of Brussels during the final battery of GATT meeting in December 1990. William Dulforce, "Declared Stances Must be Dropped to Win Trade Pact," Financial Times, November 28, 1990, p. 4.

⁵⁹ Zartman, The Practical Negotiator, op. cit., p. 208.

negotiation."⁶⁰ The relative decline in American economic power coupled with the economic ascendancy of the European Community may have influenced the Community's position.

There is evidence that many Europeans were tiring of the United States' often heavy-handed tactics. "There is no reason for us to bend the knee in front of the United States," said one German official during the final months of the talks.⁶¹ Even the British, long America's staunchest ally in Europe, turned on the US. Anxious to prove Britain's European credentials in the post-Thatcher era, UK Agriculture Minister John Gummer chastised the US for its threats. "It is not a proper way," scolded Gummer, "for the largest trading power in the world to be addressed by the second largest."⁶² Indeed, it has been suggested that the presence of external pressure on the Community actually strengthens the hands of those most resistant to reform.⁶³

CONCLUSION

Regardless of the effects of the wrangling in the Council, the distraction of an overburdened Commission, the felling of a new ascendancy in Europe, or the principled refusal to allow an important common policy of the Community to become a topic of international negotiation, it seems apparent that both historical experience and deliberate negotiating strategy also played a part in bringing about the deadlock in the Uruguay Round. This it would seem is a more plausible explanation than any that rests on irrational behavior.

If the final judgement of a negotiating strategy is its degree

⁶⁰ Lall, Modern International Negotiation, op. cit., p. 150.

⁶¹ Steven Greenhouse, "Bargaining On Trade Collapsing," New York Times, December 6, 1990, p. C1.

⁶² Tim Dickson, "Community Dogs That Failed to Bark," Financial Times, December 7, 1990, p. 2.

⁶³ Peter Montagnon, "US Warned Over Further Delay on GATT Progress," Financial Times, March 11, 1991, p. 4.

of success in fulfilling the objectives of the parties than the Community's strategy appears to have failed. Of course, implicit in this evaluation is the assumption that the Community wanted an agreement. Again, it seems obvious that the Community wanted a new GATT Round agreement since it stood to gain so much in many of the sectoral talks. What it did not want was a strong and comprehensive agricultural agreement. Based on past experience in the Kennedy and Tokyo Round negotiations the Community believed it could accomplish its objective of gaining a GATT agreement without conceding anything more than marginal chances to the farm trade regime.

The most serious error of the Community's Uruguay Round strategy appears to have been its reliance on a faulty historical analogy. If we accept that the Community was effected by its past experience than the remainder of its negotiating behavior becomes explainable as rational.

I have offered this alternative explanation as a supplement to those other explanations already mentioned. An explanation based on history and conscious strategy provides a basis for understanding without resort to presumptions of irrationality or involvement in a normative debate. Still, if miscalculation based on previous historical precedent is readily understandable; miscalculation in the face on mounting evidence contrary to the precedent is less so. The greatest flaw of brinkmanship as a strategy is the difficulty in stepping back from the brink. "There is always an element of tactics and an element of reality," Mr. Andriessen has observed recently. "In Brussels, they were mixed up. It would be a disaster if we made the same mistake again."⁶⁴

⁶⁴ John Barham, "Cautious Optimism Over Fresh Start to the Uruguay Round," Financial Times, January 28, 1991, p. 6.