

**GROUP PRESSURES, NATIONAL INTERESTS, AND COMMUNITY DIRECTIVES:
A COMPARATIVE STUDY OF FARM INTEGRATION IN FRANCE AND GERMANY**

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Abstract:

How are domestic interests adjusted to the purposes, policies, and prescriptions of a supranational entity? Specifically, in implementing the Common Agricultural Policy, how have the interests of specialized domestic groups been accommodated? To what extent are Community directives autonomous of national interests? These and other questions are examined in a comparative study of French and German agriculture.

In the literature, several theoretical propositions and analytical frameworks have been propounded to investigate post-World War II integration. Some see this as a state-centric phenomenon (Mitrany 1946, Claude 1964, Sewell 1966, Hoffman 1968, among others); others examine supranational developments (Haas 1957, ----- 1964, Lindberg and Steingold 1970, among others). Both schools have tended to be outcomes-oriented and emphasize the role of institutions and structure-level variables. Yet, such an approach either ignores or de-emphasizes variables which are local, such as national farm groups; and they rarely, if ever, examine local ramifications of supranational decisions. A more fruitful explanation would be to connect both arenas--policy formulation and policy legitimation. By adopting a theory of ratification (Putnam 1988), one is able to make a more meaningful assessment of the interplay of group pressures, national interests, and supranational directives.

Preliminary findings suggest that although farm integration has been successful, a complex interplay of pressures involving the Community, national governments, and social groups, prevents any one of these actors from becoming dominant in shaping outcomes: critical decisions reflecting national interests continue to be made by national governments; these decisions are themselves conditioned by arrangements between state officials (elected or bureaucratic) and social groups; and supranational institutions are necessary to coordinate the various aspects of implementing those decisions. By registering the demands of groups and preserving/promoting national interests in negotiations abroad, the national government continues to play a crucial intermediary role.

On a more specific plane, this study points out (a) the source of initiative over agriculture within the Community is shifting from France to Germany; (b) that neither alone can shape policy outcomes in its own image, thereby necessitating joint efforts; (c) that not only is Germany the source of initiative within the Community, but the D.B.V. has become the pivotal force in shaping German farm policy; (d) a combination of Community directives, national interests, and group pressures has resulted in converging patterns of production and output, which in turn, threatens to deprive France of hitherto secure markets in Europe; and (e) the collision between Community directives and national interests is reflected in the tension between the European Commission and the Council of Ministers, with the latter playing an increasingly important role over outcomes.

Abbreviations:

Ag. V.	:	<i>Arbeitsgemeinschaft der Verbraucher e.V</i> (Consumers' Association)
C.A.P.	:	Common Agricultural Policy
C.U.A.	:	Common Unit of Account
C.D.U.	:	<i>Christlich-Demokratische Union</i> (Christian Democratic Union)
C.N.J.A.	:	<i>Centre National des Jeunes Agriculteurs</i>
C.N.M.C.C.A.	:	<i>Confederation Nationale de la Mutualite, de la Cooperation et du Credit Agricoles</i>
C.O.M.	:	Council of Ministers
COMM	:	European Commission
C.O.P.A.	:	<i>Comite des Organisations Professionnelles Agricoles de la C.E.E.</i> (Committee of Professional Agricultural Organizations in the European Economic Community)
C.S.U.	:	<i>Christlich-Soziale Union</i> (Christian Socialist Union)
D.B.V.	:	<i>Deutscher Bauernverband</i> (German Farmers Association; a lobby)
D.B.L.N.	:	<i>Deutscher Bundersverband der Landwirte im Nebenberauf</i> (German Part-time Farmers Association; a lobby)
D.G.--VI	:	Directorate General--VI (Agriculture)
E.A.G.G.F.	:	European Agricultural Guidance and Guarantee Fund (F.E.O.G.A. in French)
E.C.	:	European Community
E.C.S.U.	:	European Coal and Steel Community
E.C.U.	:	European Currency Unit
E.E.C.	:	European Economic Community
E.M.S.	:	European Monetary System
E.M.U.	:	European Monetary Union
E.V.St.	:	<i>Einfuhr- und Vorratsstellen</i> (Imports and Warehouse Agencies)
F.I.R.S.	:	<i>Fonds d'Intervention et de Regularisation du Marche du Sucre</i> (agency to apply Community regulations on sugar in France)
F.A.O.	:	Food and Agricultural Organization
F.D.P.	:	<i>Freie Demokratische Partei</i> (Free Democratic Party)
F.E.O.G.A.	:	<i>Fonds European d'Orientation et de Garantie Agricole</i> (European Agricultural Guidance and Guarantee Fund-E.A.G.G.F.)
F.N.S.E.A.	:	<i>Federation Nationale des Syndicats d'Exploitants Agricoles</i>
F.R.G.	:	Federal Republic of Germany (West Germany)
G.A.T.T.	:	General Agreement on Tariffs and Trade
G.D.R.	:	German Democratic Republic (East Germany)
G.N.P.	:	Gross National Product
M.C.A.	:	Monetary Compensatory Account
M.O.D.E.F.	:	<i>Mouvement de Defense de l'Exploitation Familiale</i>
O.E.C.D.	:	Organization for Economic Cooperation and Development
O.N.I.B.E.V.	:	<i>Office National Interprofessionnel du Betail et de Viandes</i> (agency to apply Community regulations to beef and veal in France)
S.I.D.O.	:	<i>La Societe Interprofessionnelle des Oleagineux</i> (agency to apply Community regulations to edible vegetable fats in France)
S.P.D.	:	<i>Sozialdemokratische Partei</i> (Social Democratic Party)
U.S.D.A.	:	United States Department of Agriculture
V.A.T.	:	Value added tax

Questions:

After thirty years of implementing the Common Agricultural Policy, several questions arise as to the degree of farm integration attained between France and Germany: How have the interests of specialized domestic groups been accommodated? To what extent are Community decisions and directives autonomous of national decision-making? Why is there increasing strain over farm policy between the two countries? Given the recent unification of Germany and the historical apprehensions this engenders, what indeed is the current status of the Franco-German alliance upon which the Community was founded?

Theoretical Context:

Underlying these questions is a central concern: How are domestic interests adjusted to the purposes, policies, and prescriptions of a supranational entity? Sparked to a great extent by post-World War II hopes and plans to rebuild and unite West Europe (Lindberg and Scheingold 1970, ch. 1), several analytical frameworks have since been postulated whose collective and cumulative impact has been both enriching and confusing. Among the approaches have been federalism (Spinelli 1957), functionalism (Mitrany 1946; Claude 1964; Haas 1964; and Sewell 1966), neofunctionalism (Haas 1957), regional economic integration (Balassa 1961, chps. 1-2; and Robson 1980, chps. 1-2), inter-governmentalism (Hoffman 1968), and inter-dependency (Keohane and Nye 1977; Cohn 1990). Lengthy though the list may be, there are several overlaps, suggesting the constant attempts to modify and refine original postulates. However, the debate at the core still remains whether national interests should be determined exclusively by the state, as proponents of the functionalist and inter-governmentalist schools insist, or by the state in conjunction with societal, transnational, or supranational actors and agencies, as the neo-functionalists and inter-dependency advocates propose.

From the point of view of competitive bargaining, this literature helps us develop a sense of structure and exposes us to a variety of structure-level variables. For instance, the state-centric view, much like the impenetrable crust of a billiard ball, suggests a unitary actor jealous of its sovereignty and egotistical with its interests in a system comprising other rational actors. In the same way, the second view, analogous of a cobweb with several inter-connected layers, each representing a different set of interests and relations, suggests a country more receptive to influences from non-state actors both within and outside the country (Webb 1983, 10-15). Even if by default, both approaches sensitize us to the relationship between parts and the whole, various levels of analysis, stages of integration, outcomes distinguishing one threshold from another, policy instruments relevant to each stage, key administrative and executive institutions at different levels, the distinction between high politics and low, and a variety of non-state actors.

At the same time, however, we are left confused--in part by either the lack of emphasis on local, or non-structural variables, and in part by an absence of any explanation of how decisions made at one level are ratified at another. One example of a local variable could be the influence of farm organizations upon policy-making. Neo-functionalists and inter-dependency advocates acknowledge their influences (Lindberg and Scheingold, ch. 5; Pearce 1983; among others), yet do not explain the *processes* involved. In general, this literature is so outcomes-oriented, that we do not get a commensurate comprehensive view of the inputs; and it emphasizes the organization and performances of institutions at the structural level so excessively that we easily lose sight of the organization and performances of groups at the local levels.

By adopting a theory of ratification, one may be able to compensate for some of these omissions and commissions. Among the more popular versions is a "two-level" game (Putnam

1988, 427-60), which is just a metaphor for interactions between the domestic and external settings. Whereas the first level represents negotiations, the second seeks ratification. Thus, any agreement between countries would then have to be accepted within each country. An agreement between countries may involve different phases, actors, and arena. For instance, the MacSharry Reform of the European Community involved negotiations between all 12 members on the one hand, and discussions with representatives in the Uruguay Round of G.A.T.T., on the other. In the same way, acceptance within each country may also involve many phases, actors, and arenas. It has to be sold, for instance, to the German legislature, which involves discussions with the prominent domestic groups--the D.B.V. for producers and the Ag.V. for consumers, and so forth. Both negotiations at Level 1 and acceptance at Level 2 may involve iteration and repetition, with all kinds of modifications. For an agreement to be ratified (to "win"), it must appeal to a broad cross-section of the voters back home ("win-set"). Thus, larger win-sets are more conducive, first to ratify the agreement, then to strengthen the position of the negotiators at Level 1, and thereby maximize national interests while also minimizing adverse global reactions.

Empirical Context:

How successful has farm integration been in the European Community? Of the limited number of studies addressing this question, the responses have been mixed, perhaps due to the different time frameworks of investigation, or choices of independent variables. Generally, the earlier in the history of the European Community the investigation focuses on, the more optimistic the findings. This seems natural: The more complex phases of integration, when state sovereignty is under greater stress, do not come at the outset but later. At the same time, the choice of independent variables may also lead to different outcomes. For instance, an institutional study of integration is likely to yield more optimistic results than a study of policy instruments. Typically, the pinch of budget constraints, for instance, is reflected by instruments much before any institutional ramifications are registered, subjecting the former to greater variability than the latter.

A study of farm integration may also be influenced by prior considerations of broader issues. Imbalances between member countries and regions, for instance, remain a formidable obstacle to any type of integration (Reichenbach 1980, 75-96). These are to be found over the degrees of unemployment, productivity, standards of living, or the dependency on the import of primary products. Although labor and capital have the freedom of movement, there still remain regulations over social security transfers, participation in trade union activities, and investment opportunities, not to mention the cultural and language differences. Consequently, we are likely to expect uneven development. Another study reveals that different sectors may also have "irregular growth patterns" (Lindberg and Scheingold, 179-80). For instance, agriculture marked "unparalleled success" in integration, while transportation experienced "output failure". Why? First, there were more "forward linkage mechanisms" with agriculture, creating better prospects for a redistribution of benefits among groups and reflecting the special leadership skills of those groups. Second, whereas the transportation sector suffered from a network of "forked tariffs" which had not yet been harmonized, agriculture benefited from a "supportive coalition" between groups and the national government. In general, supportive coalitions appear to be critical to the integrative process. By accumulating and articulating demands of producers, they account for a key input of decision-making. Policy outcomes may subsequently be (a) triggered by systemic functional spill-over, (b) take the form of side payments or log-rolling, or (c) reflect normal feedback and actor socialization (Lindberg and Scheingold, 178, but see 177-91 and 155-62).

For studies emphasizing the role of institutions, the typical approach has been to first spell out the common objectives of farm policy, then concentrate mostly on the results. The role of a variety of institutions are scrutinized--the European Commission, the Directorate-General for Agriculture (D.G.--VI), the Special Committee on Agriculture, and the Council of Ministers. Typically correlations are made of Community level directives and the contributions of or consequences for

institutions at the national level, such as a specific ministry, or the cabinet (see, for instance, Avery 1988, 523-39; Vasey 1985, 649-72; and ----- 1988, 725-32), portraying the tussle these often entail between decision-makers at both levels. One example is the determination of variable levies at the Community level, and the implications this has on member countries, such as the deprivation of the power to regulate competition (Lindberg and Scheingold, 157). In the case of agriculture, incremental decisions in the earlier stages of integration at the Community level expanded at the expense of domestic farm policies, the cumulative effect of which was "to increase both the costs of going back and the incentives to go on" (ibid.). For example, between 1962 and 1964, the Common Agricultural Policy was applied to fourteen products, on a case by case basis, which led to the harmonization of prices by 1968 (Thorbecke and Pagoulatos, 1975, 278-79). During that time, expenditures made by the European Agricultural Guidance and Guarantee Fund (E.A.G.G.F.), established by the Commission in 1962 to implement the C.A.P., shot up ten-fold (Lindberg and Scheingold, 147), while Community markets were increasingly sheltered from outside exporters (Thorbecke and Pagoulatos, 282-83). In later stages, however, the process seems to be reversing, with domestic incentives to become less integrated, increasing costs of continuing the common farm market, and growing pressures to liberalize trade patterns (Tangermann 1983; Butler 1984; von Cramon-Taubadel and Ralf Kuhl 1990; and Welfens 1991).

However, this institutional approach, which may sometimes *suggest* societal groups, rarely if ever *examines* their influences. Furthermore, studies in this group generally refrain from measuring local ramifications which accompany policy changes. For instance, we are informed that farm prices are to be steadily harmonized, and deduce from the provisions of C.A.P. and the mechanisms employed to implement them that long-term production patterns between France and Germany would converge. Yet, the integration literature does not tell us the *nature* of the changes--in farm modernization, out-migration, size, and so forth. We also do not get a sense of the structure of farm groups, the competitiveness among them, or how representative each may be. Indeed, we are left to conclude, unrealistically of course, that if harmonized policies can lead to convergence in production, then the interests of groups across national boundaries are likely to also follow suit.

Studies which focus on farm policy instruments also begin with an account of the original objectives or subsequent development of C.A.P. They too attest to the relative growth of Community directives over national controls, and pay equal attention to the role of key institutions in the policy-making context. Where they differ from the institutional approach, however, is in their focus on prices, which permits them to evaluate domestic support systems (see, for instance, Avery 1984, 643-56; Butler 1984, 111-16; Guth 1985, 3-9; Kelch 1993; and Tangermann 1983, 10-15), as well as monetary compensatory accounts, which are border charges reflecting the difference between exchange rates and green rates caused by any appreciation or depreciation of the national currency vis-a-vis the European Currency Unit, or E.C.U. (on M.C.As., see Avery 1984, 646-47 and 651-52). Because they deal with performances where national and Community price policies intersect, studies on policy instruments tend to portray more the divergences than convergences, constraints than harmony (Koester and Terwitte 1988; and Pearce 170-72).

Generally, these studies show the broad outcomes of the common farm policy, the various thresholds which had to be attained to effect harmonization, and the key institutions involved. What they do not show are the nature of farm convergence between Community members and the structure of such local variables as influential domestic groups. We do not get a picture of aggregate changes on the actual farms--the nature and degree of modernization and population migration, as well as their implications for group interests and national policy.

Methodology:

This paper undertakes a two-step analysis of the interplay between social groups, domestic policies, and Community directives. The first examines the interplay between domestic farm policy and Community-level negotiations over agriculture. Twelve instances of negotiations between 1962 and 1992 are isolated for the purpose, and the responses of France and Germany to them are then evaluated. Some of these negotiations are between Community members, others between the Community on the one hand, and external regimes or countries, on the other. How Community-level decisions and directives are sold to both the legislatures and social groups in the two countries represents the second step of the investigation. A study of dynamics at both levels should provide us a sense of the relative influence over policy outcomes, and the flow from one arena to another. Beforehand, however, the paper assesses the nature of convergence in farm production between the two countries. Specific variables used in the three sections are introduced at the start of each.

One caveat stems from the unification of Germany in October 1990. References prior to that time will be not to Germany per se, but to the Federal Republic and the German Democratic Republic. How critical is the disappearance of this distinction to farm integration will be a subsidiary question considered.

Convergence:

Structure of Agriculture:

To motivate analysis, I ask a simple question: Why is the nature of farm trade between France and Germany today different than when the E.E.C. was established? One approach to an answer would be to examine changes in the farming structure, defined in terms of the cultivable area potential, the principal crops, the place of the agricultural sector in the national economy, and farm population, size, and inputs. Although not all of these dimensions of the structure are critical to explaining trading patterns, each reflects changes to have taken place over the last thirty years. One undisputable conclusion is that the steady convergence in farming structures of both countries has led to increasing degrees of food self-sufficiency, thereby reducing the export outlets for France, the traditional food-surplus member, particularly in Germany, the traditional food importer.

The proportion of total land area devoted to cultivation has always been higher for France than for the Federal Republic, as Table 1 indicates. Of the total land area, about 57% is generally

Table 1 about here

utilized for cultivation in France, and 47% in the Federal Republic. Similarly, arable land accounts for about 32% of the total land area in France, but only 29% in the Federal Republic. Finally, whereas 21% of the total land area constitutes pastures in France, in West Germany the proportion was 17% (*Statesman* 1991, pp. 534-35).

Table 1 also reveals that the unification of Germany reduced the gap in cultivable area with France (*ibid.*, pp. 526-28). With the additional 10.9m hectares, of which 57% is devoted to cultivation in the German Democratic Republic (Nadkarni 1978, pp. 31-33; and O.E.C.D. 1981, pp. 107-08), the proportion of cultivable area in united Germany increased from 47% to 50%, and arable land from 29% to 33%. However, the proportion of pastureland fell from 17% to 15%. Nevertheless, as far as the cultivable area potential is concerned, Germany is a lot more like France today than ever before.

In terms of the crops cultivated, there has been a remarkable similarity between France and the Federal Republic. The principal crops in both have traditionally been wheat, rye, oats, potatoes, sugar beets, and wine. Where the two countries differed was in the degree of self-sufficiency for each commodity. The wheat, barley, and corn surpluses of France contrasted with the deficits the Federal Republic had in these products. The unification of Germany added cultivable land for cereal production, since the primary crops in the German Democratic Republic have also been wheat, rye, barley, and oats (O.E.C.D. 1981, pp. 108-18). By modernizing East German farms, a united Germany may attain self-sufficiency more rapidly over these products.

In terms of the place of agriculture within the national economy, there were several parallels between France and the Federal Republic. As Table 2 shows, when the Federal Republic was

Table 2 about here

established in 1955, farm employment accounted for 18.5% of total employment, as compared to 26.9% for France. By 1986, however, farm employment represented only 5.3% in the Federal Republic and 7.3% in France. At the same time, the contribution of the agricultural sector to the gross national product also began declining. When the E.E.C. was formed in 1958, the farm sector accounted for 7.1% of the G.N.P. in the Federal Republic and 10.6% in France. By 1986, the corresponding figures had fallen to 1.8% and 3.7%, respectively. In spite of this decline, as is shown below, farm output expanded in both (Bonanno 1990, Table 4.1, p. 306).

Table 3 indicates that in 1955, there were about 2.7m people employed in farms in the Federal

Table 3 about here

Republic and 4.1m in France, including owners, working family members, and non-family workers. Since then the figures kept declining, respectively, to 2.2m and 3.5m in 1960, to 1.4m and 1.9m in 1965, and to only 984,000 and 1.6m in 1976 (European Communities 1978, Chart IIA1). The decline in farm workers was much more precipitous in France than in the Federal Republic, averaging 3.8% annually in the first half of the 1960s and 4% annually in the second half (O.E.C.D. 1974a, p. 26). As Table 3 also shows, in 1960 farm workers formed slightly over 20% of the French labor force, but only 10.8% for the Federal Republic. These figures dropped, respectively, to 13.6% and 7.5% in 1970; to 8.6% and 5.8% in 1980; and to 5.8% and 3.9% in 1988 (U.S.D.A., *World Agriculture* 1990, p. 215; F.A.O. 1977, p. 67; and ----- 1990, p. 75).

There were important comparative changes in the number and size of farms too. While the area cultivated remained fairly constant in both countries, as the number of farms declined over time, the size of farms increased. Since, 1955, as Table 4 indicates, about 32m hectares have been

Table 4 about here

cultivated in France and about 7m hectares in the Federal Republic. In 1955, there were 2.1m farms in France and 1.6m in West Germany. Those figures fell to 1.4m and 790,000, respectively, in 1970. Whereas the size of the average French farm increased from 15.2 hectares to 21.7 during that time span, the size of the average farm in the Federal Republic in 1970, though increasing,

TABLE 1:

LAND AREAS IN FRANCE AND GERMANY:
CULTIVABLE, ARABLE, PASTURES

	Total land area (in m. hectares*)	Cultivated (as %)	Arable (as %)	Pastures (as %)
Federal Republic of Germany	25	47	29	17
German Democratic Republic	10.9	57		
Germany	35.9	50	33	15
France	54.9	57	32	21

*1 hectares=2.5 acres

Sources: *Statesman's Yearbook: Statistical and Historical Annual of the States of the World of the Year 1991-1992*, ed., Brian Hunter (New York: St. Martin's Press, 1991), pp. 491, 534-35, and 526-28; M.V. Nadkarni, *Socialist Agricultural Price Policy: A Case of GDR* (New Delhi: People's Publishing House, 1978), pp. 31-33; and O.E.C.D., *Prospects for Agricultural Production and Trade in Eastern Europe*, vol. 1: *Poland, German Democratic Republic, Hungary* (Paris: O.E.C.D., 1981), pp. 107-08.

TABLE 2:

FARM EMPLOYMENT AS A PROPORTION OF TOTAL EMPLOYMENT,
AND CONTRIBUTION OF FARM SECTOR TO THE GROSS NATIONAL PRODUCT
IN FRANCE AND THE FEDERAL REPUBLIC OF GERMANY

	Farm Employment as % of Total Employment		Farm sector as % of G.N.P.	
	1955	1986	1958	1986
Federal Republic	18.5	5.3	7.1	1.8
France	26.9	7.3	10.6	3.7

Source: Alessandro Bonanno, ed., *Agrarian Policies and Agricultural Systems* (Boulder: Westview Press, 1990), Table 4.1, p. 306.

TABLE 3:

FARM EMPLOYMENT IN FRANCE AND THE FEDERAL REPUBLIC OF GERMANY

	Farm Employment (in m)				Farm Workers as % of Total Labor Force			
	1955	1960	1965	1970	1960	1970	1980	1990
Federal Republic	2.7	2.2	1.4	.984	10.8	7.5	5.8	3.5
France	4.1	3.5	1.9	1.6	20.0	13.6	8.6	5.0

Sources: European Communities, Statistical Office, *Agricultural Structure, 1950-1976* (Brussels: Statistical Office of the European Community, 1978, Chart IIA.1); Food and Agricultural Organization, *Production Yearbook* (Rome, F.A.O., 1977, 1990), pp. 67, 75; and United States, Department of Agriculture, Agricultural and Trade Analysis Division, Economic Research Service, *World Agriculture: Trends and Indicators, 1970-1989* (Washington, D.C.: U.S.D.A., 1990), various pages.

TABLE 4:

NUMBER AND SIZE OF FARMS IN FRANCE AND THE FEDERAL REPUBLIC OF GERMANY

	1955			1970		
	Number of farms (in m)	Average size (in hectares)	Over 50 hectares (in %)	Number of farms (in m)	Average size (in hectares)	Over 50 hectares (in %)
Federal Republic	1.6		1.00 (1960)	1.1	13.7 (rented) 9.6 (fully owned)	8.1
France	2.1	15.2	25.3	1.4	21.7	36.7

Sources: O.E.C.D., *Agricultural Policy in France* (Paris: O.E.C.D., 1974), p. 28; and -----, *Agricultural Policy in Germany* (Paris: O.E.C.D., 1974), p. 17.

was still smaller than the average farm in the France of 1955 (O.E.C.D. 1974a, p. 28; ----- 1974b, 9, 17; and Burrell 1990, 161-62).

In spite of the shrinking farm population and fewer farms, output kept expanding. Using figures from 1979 through 1981 as an index, Table 5 reveals that total agricultural output in France

Table 5 about here

increased steadily from 84.9 in 1970 to 111.7 in 1988, while output per worker climbed consistently, from 57.2 in 1970 to 147.1 in 1987. For the Federal Republic, total output increased from 91.3 in 1970 to 114 in 1988, while output per worker shot up, from 74.6 in 1970 to 140.2 in 1987 (U.S.D.A., *World Agriculture*, 215 and 230). Increased use of modern inputs helped expand production. Using 1960 as an index, Table 5 also indicates the increase in the number of tractors, for France from 43 in 1955 to 181 in 1975, and for the Federal Republic from 54 to 168 for the same time period (European Communities, Chart IVA1). The use of general farm machinery increased from 31 in 1955 to 266 in 1975 for France, and from 16 to 330 for the Federal Republic. Consequently, the proportion of total traction provided by machines, increased in both countries, from 27% to 43% in France and from 75% to 89% in the Federal Republic between 1955 and 1970 (ibid., Chart IIIA3). Table 5 also shows increases in the numbers of tractors and combine harvesters, and decreases in the use of draught animals.

Farm Trade:

Returning to the earlier question: Why is the nature of farm trade between France and Germany today different than when the E.E.C. was established. It is possible to suggest three broad responses.

First, historically the farm trading profiles of the two countries have not only been vastly dissimilar, but also inverse: the favorable farm trade balances of France contrasting with the farm trade deficits of the Federal Republic. Second, patterns of farm trading between the two countries reflect both complementarity and increasing market concentrations. Finally, tensions appear to be surfacing, from both endogenous and exogenous developments.

The two countries have different farm trade profiles. As Table 6 indicates, farm exports from

Table 6 about here

France always accounted for more than 15% of overall exports, while from the Federal Republic they hovered around the 5% mark (U.S.D.A., *World Agriculture*, 217-31). The proportion of farm imports to overall imports has generally been less than 15% for France, and for the Federal Republic, they have been declining from over 20% in 1970 to less than 13% in 1988. Table 6 also shows that, except for 1970, France has traditionally had a favorable farm trade balance, which is remarkable when one considers the overall trade deficits faced by the country. By contrast, the Federal Republic has traditionally had a net agricultural trade deficit, which was as low as \$4.9b in 1970, but increased to \$14.4b in 1988. Unlike France, however, West Germany has always had a favorable overall trade balance.

Farm trading patterns of the two countries are both complementary and developing market concentrations. Whereas France has been a good customer of inputs manufactured in the Federal

TABLE 5:

AGRICULTURAL OUTPUT, OUTPUT PER WORKER, TRACTORS, FARM MACHINERY AND TRACTION
IN FRANCE AND THE FEDERAL REPUBLIC OF GERMANY

	Agricultural Output (1979-81=100)			Output per Worker (1979-82=100)		
	1970	1980	1988	1970	1980	1988
Federal Republic	91.3	100.6	114	74.6	100.3	140.2
France	84.9	101.7	111.7	57.2	101.2	147.1

	Tractors (1960=100)			General Farm Machinery (1960=100)			Mechanical Traction as % of Total Traction	
	1955	1965	1975	1955	1965	1975	1955	1970
Federal Republic	54	136	168	16	222	330	75	89
France	43	130	181	31	178	266	27	43

	Tractors (in m)	Combine Harvesters (in 1,000s)	Draught Animals (in 1,000s)							
			Cows			Oxen			Horses	
1955	1975	1955	1975	1955	1975	1955	1975	1955	1975	
F.R.G.	9.0	47.9	8.5	178	1,400	10	132	1	1,000	170
France	8.3	58.4	18	153	2,300	54	699	14	1,700	250

Sources: European Communities, Statistical Office, *Agricultural Structure, 1950-1976* (Brussels: Statistical Office of the European Community, 1978, charts IVA1 and IIIA3); and United States, Department of Agriculture, Agricultural and Trade Analysis Division, Economic Research Service, *World Agriculture: Trends and Indicators, 1970-1989* (Washington, D.C.: U.S.D.A., 1990), pp. 215, 230.

TABLE 6:

FARM TRADE TRENDS IN THE FEDERAL REPUBLIC OF GERMANY,
GERMAN DEMOCRATIC REPUBLIC, AND FRANCE

	Farm Exports as % of Overall Exports				Farm Imports as % of Overall Imports			
	1970	1980	1985	1988	1970	1980	1985	1988
G.D.R.	2.4	3.5	1.7	1.6	20.4	14.6	7.6	7.1
F.R.G.	3.7	4.9	5.4	5.2	20.9	17.9	13.2	12.5
France	16.5	15.9	16.2	16.2	17	11	11.5	10.8

	Farm Trade Balances (in U.S.\$)				Overall Trade Balances (in U.S.\$)			
	1970	1980	1985	1988	1970	1980	1985	1988
G.D.R.	-882m	+2.1b	+1.49b	+1.64b				
F.R.G.	-4.9b	-14.6b	-10b	-14.4b	+4.2b	+4.8b	+25.4b	+72b
France	-300m	+3.6b	+3.9b	+7.8b		-1.1b	-6.5b	-11b

Source: United States, Department of Agriculture, Agricultural and Trade Analysis Division, Economic Research Service, *World Agriculture: Trends and Indicators, 1970-1989* (Washington, D.C.: U.S.D.A., 1990), pp. 217-31.

Republic, such as tractors, fertilizers, and pesticides, the Federal Republic has traditionally relied upon the purchase of such cereals as wheat, corn, and barley from France. Although the Federal Republic is increasingly becoming self-sufficient in these areas of deficiency, France continues to be its most important external supplier of farm products along with the Netherlands. Although France trades with more diversified partners, West Germany has been the prize market by virtue of its large population.

Farm trading patterns of both France and the Federal Republic reveal the degree of Europeanization that has taken place over the years. In 1964, about 40% of French exports went to other Community members, in 1974 about 66%. The proportion of imports originating in the Community doubled during that time (O.E.C.D. 1974a, 24-25). For the Federal Republic, imports from the Community more than doubled between 1960 and 1973, from 28.5% of overall trade to 58.4%, while the proportion of exports sent to the Community members increased from 36.4% in 1960 to 63.1% in 1973 (O.E.C.D. 1974b, 15). Although figures for subsequent years were not immediately available, they are likely to show a continuation of these trends towards a regional trade concentration.

As has been argued before, France is beginning to find a smaller market in the Federal Republic for cereals. For instance, of the wheat traded by the Federal Republic, imports accounted for 59.4% in 1970, but only 43.8% in 1988. Similarly, of the corn traded, imports accounted for 97.2% in 1970, but 83.4% in 1988 and 1989; and of the barley traded, imports accounted for 87.3% in 1970, but only 62.5% in 1988 and 1989 (U.S.D.A., *World Agriculture*, 1990, 232). Unification may complicate future Franco-German farm trade. Since the German Democratic Republic used to be a major importer of all three commodities, unification may expand imports in the short-term before modernization and rationalization reduce them in the long-term.

There are other mixed signals in the unification. Table 6 shows that the farm export proportion of overall exports for the G.D.R. has been falling as a trend, from 2.4% in 1970 to 1.6% in 1988 (ibid., 229). To make matters worse, the only area of net surplus has been in fertilizers, which is also an area of surplus for the Federal Republic. Consequently, unification is unlikely to immediately compensate agricultural deficiencies of West Germany. On the other hand, however, the G.D.R. has made conspicuous strides towards self-sufficiency. The proportion of farm imports to overall imports has fallen as a trend, from 20.4% in 1970 to 7.12% in 1988. This promising sign indicates that if the G.D.R. is to be a liability, as in all likelihood it will be, the cause is less likely to be performances in the agricultural sector as perhaps performances in some other sector.

Turning to an exogenous factor, French surpluses and the trade distorting subsidies have put the European Community on a collision course with other farm exporters of the world. The scramble for farm markets has meant the growth of competing trading blocs, potential price wars, and disagreement in multilateral negotiations (Herlihy and Weiss, 1990, 86-96; and Libby 1992, chps. 1-4). The Uruguay Round of G.A.T.T. has been deadlocked over the insistence of the United States to liberalize farm trade completely by the year 2000 and the refusal of the European Community to move so rapidly. Over six years, various proposals have been made and strategies adopted by both sides, of which the most promising was the Dunkel Report of late-1991. Aimed directly at the C.A.P., it made a four-fold proposal: (a) reduce domestic supports by 20%; (b) cut export subsidies by 36%; (c) lower the volume of subsidized exports by 24%; and (d) fully convert all subsidies into tariffs. These are to be completed over six years, beginning 1993. To this the European Community responded with the MacSharry Reforms of May 1992, which seeks to (a) reduce price supports by 29% over three years; (b) reduce output by 15% through set-asides; and (c) provide full compensation to farms of all sizes (Moyer 1993a, Table 2 and p. 15; and Patterson 1993, 16-26). Yet, national considerations and protests from farmers, especially in France, appears to have irrevocably stifled any progress towards a compromise.

Eventually the Dunkel Report entails a lowering of subsidies for both sides, for the United States by \$350m from about \$10-12b annually, and for the Community by \$4b from about \$40-50b annually. Although Germany, Great Britain, the Netherlands, Denmark, and Italy have been willing to compromise over the proposal, France is vehemently opposed to it, and without French approval, Germany is unwilling to take any action. The French Minister for Industry and International Trade, Dominique Strauss-Kahn, denounced the proposal for being "dangerously slanted" against the European Community (Armbruster *J.C.C.*, March 23, 1992, 8A). Similar sentiments were expressed by Louis Mernaz, the French Minister of Agriculture, Ignaz Kiechle, the German Farm Minister, and Baron Constantin Heereman von Zuydtwyck, president of Germany's Farmers Association, also known as the D.B.V.

At stake is a perceived threat of French exporters losing German markets in cereal substitutes, such as corn gluten, to the United States. Not only does a bulk of U.S. corn gluten exports go to Germany, but the level of exports has also been increasing steadily--from 3.25m tons in 1985 to 5.4m in 1991 (Widman and Barnard, *J.C.C.*, March 19, 1992, 1A). Neither the values nor the volumes are of crisis proportion. What makes this item of trade controversial is that it threatens the privileged position of France in the Community's farm trade. This may be one reason why France is playing the spoiler's role at the Uruguay Round (Moyer 1993b, 106-118). Because of an intricately intertwined relationship with Germany, France seems to be counting on its equally precariously placed neighbor for support.

As becomes evident, membership in the European Community has coincided with increasing convergence in the farming structure of France and Germany, which, in turn, seems to be triggering concerns over bilateral farm trade relations between them. The interesting question this raises is whether the causal factors have been Community directives, national interests, or an admixture of both. One approach to approximating an answer is to hypothesize that Community directives caused the convergence, then trace those directives from formulation to implementation to determine if this has been true or not, and if not, to expose other possible causal factors. This is the task of the next two sections.

Level 1: Negotiations Within the Community Framework

Table 7 profiles twelve instances of Community level farm negotiations. A few considerations led to their selection: First, each bears directly upon the puzzle being examined--the relative influence of social groups, national interests, and Community directives upon a supranational policy. Second, each involves at least one issue of fundamental importance to not just France and Germany, but also the larger Community. Third, together, the twelve instances represent the major twists and turns in the evolution of the Common Agricultural Policy. Since they are elaborated in detail in the literature on C.A.P., this section simply provides an overview, matching common policy outcomes with key bilateral interests.

Table 7 about here

Overview of C.A.P.:

Accounting for over two-thirds of the Community budget, the Common Agricultural Policy has not only served as a cornerstone of the Community, but also a potential cause for its breakdown. What are its objectives? How have they been adjusted to national farm policies? What have been the interests of the two countries in the C.A.P?

TABLE 7:

LEVEL I: COMMUNITY NEGOTIATIONS OVER AGRICULTURE

ISSUES	NATIONAL INTERESTS	OUTCOMES
<p>1. Adoption of Common Agricultural Policy (1958-62)</p> <p>*Source: Hendriks 1989, 76-77.</p>	<p>FRG: market-oriented farm policy with provision that Federal Republic farm protection not be disturbed; reluctant to accept parallel development of industrial and agricultural common market</p> <p>France: sell more to Federal Republic; de Gaulle threatens on December 9, 1961 to not enter 2nd phase of customs union without an agreement on agriculture</p> <p>FRG: opposed</p> <p>France: in favor</p>	<p>*Agricultural Code accepted January 14, 1962, specifying 3 principles of E.C.:</p> <ul style="list-style-type: none"> a. establish a common market; b. develop communitarian preferences; c. financial solidarity
<p>2. Mansholt's variable levy (1958-62)</p> <p>*Source: Pinder 1990, 78-79.</p>	<p>FRG: demands high prices; opposition to E.C. having its own budget and taxes. Chancellor Erhard promised to defend price levels in October 1963 and March 1964; since German prices were 30% higher than in France, COMM proposed reduction by 13% to a common target price of DM425/tonne</p> <p>France: seeks to reduce prices; and calls for costs of farm policy to be borne by EC, which should also have its own budget and raise its own taxes</p> <p>*Price level of wheat critical: formed the basis for prices of corn, meat, livestock</p>	<p>FRG accepts variable levies on January 14, 1962 (in order to hasten liberalization in other sectors)</p>
<p>3. Price support levels (1962-67) and financing price supports (1965-66)</p> <p>*Sources: Hendriks 1989, 78-80; and Pinder 1991, 80-83.</p>	<p>FRG: concedes on both occasions; and agrees to reduce cereals price to DM425 from DM440 only if grain market would not be unified until June 1, 1967</p> <p>France: makes FRG's desire for success in Kennedy Round conditional upon FRG acceptance of EC wheat price in 1964; in 1967 Charles de Gaulle of France threatened to leave EC if no farm agreements attained with FRG. It withdrew from C.O.M., but returned following Luxembourg Compromise in January 1966. In 1969 it agreed to let Denmark, Great Britain, and Ireland into the E.C. provided E.C. could collect taxes of its own (through V.A.T.)</p>	<p>FRG: concedes on both occasions; and agrees to reduce cereals price to DM425 from DM440 only if grain market would not be unified until June 1, 1967</p> <p>France: makes FRG's desire for success in Kennedy Round conditional upon FRG acceptance of EC wheat price in 1964; in 1967 Charles de Gaulle of France threatened to leave EC if no farm agreements attained with FRG. It withdrew from C.O.M., but returned following Luxembourg Compromise in January 1966. In 1969 it agreed to let Denmark, Great Britain, and Ireland into the E.C. provided E.C. could collect taxes of its own (through V.A.T.)</p>

<p>4. Mansholt Plan of COMM (December 1968), proposing sweeping modernization of farms</p>	<p>FRG: opposition to modernization; humiliation over cereals price issue, led to pledge to strengthen the country economically so as to make demands for changes in E.C. more successful France: opposition to the enhanced power of COMM</p>	<p>*Mini-Mansholt Plan adopted April 1972, formulated by C.O.M., emphasizing <i>guarantee</i> over <i>guidance</i> section of E.A.G.G.F.</p>
<p>5. Establishment of M.C.A. system and green exchange rate era (1970s), sparked by</p> <ol style="list-style-type: none"> devaluation of <i>franc</i> by 11.11% in August 1969; revaluation of <i>deutschmark</i> in October 1969; and collapse of fixed exchange rate system in August 1971 <p>*Sources: Avery 1984, 646-47; Harrop 1992, 105-06; and Hendriks 1989, 82-83.</p>	<p>FRG: as C.A.P. prices fell for farmers, annual compensations worth DM1.7b from 1970 to 1973 necessitated from national treasury; export subsidies and import levies introduced on farm goods; refusal to lower farm prices initially, but slow phase-in of green <i>deutschmark</i> allowed by C.O.M. France: overnight increase in farm prices led to concern for and protection of consumers of food; introduces export levies and import subsidies; increasing opposition to German positive M.C.As., which seen as giving German farmers an unfair advantage over French farmers</p>	<p>*French and German responses led to creation of M.C.As., which created an illusion of common farm prices when in reality domestic prices diverged greatly *German prices rose 15% over common prices by 1973; M.C.As. seen in positive light and as tool in Germany. Two positions evolved in FRG:</p> <ol style="list-style-type: none"> refusal to cut positive M.C.As. in early 1970s; and accept principle of dismantling MCAs in exchange of E.C. authorized price increases. <p>*3 crises:</p> <ol style="list-style-type: none"> 1972 (over time-limit to abolish M.C.As.); 1973-74 (over price-fixing for 1975); 1978-79 (France vetoed inauguration of E.M.S. on January 1, 1979 unless M.C.A. dispute settled)

<p>6. Mandate Report of COMM (June 1981), proposing to reduce price supports of Community cereals and impose production targets for all commodities (concept known as <i>garantie thresholds</i> introduced for first time)</p> <p>*Sources: Avery 1984, 646; and Vasey 1985, 658-59.</p>	<p>FRG: Furious opposition for 3 reasons:</p> <ol style="list-style-type: none"> violated Article 39 of C.A.P. which seeks to maintain farm incomes; revaluation of \$ eliminated cereals price gap between U.S. and E.C., making price reductions meaningless; small family farms of FRG would lose less than larger farms in France. <p>France: Support for 3 reasons:</p> <ol style="list-style-type: none"> would improve price relationship with livestock; encourage use of cereals as industrial raw material; and keep E.C. as major cereals exporter to the world. 	<p>*President Filippo Pandolfi compromised: price reduction of 1.8% (50% of original COMM proposal) in 1985</p> <p>*FRG instantly invoked Luxembourg Compromise to thwart the majority favoring the compromise (including France)</p>
<p>7. C.A.P. Reforms, advocated by COMM through Document 500 (July 1983):</p> <ol style="list-style-type: none"> confirmed principle of guarantee thresholds; production quotas for milk; rationalization of aids for butter, meat, fruits, and oils phase-out of positive M.C.As. tax on oils and fats, other than butter long-term reduction of common prices in E.C.U. and national money terms <p>*Sources: Avery 1984, 648; and Moyer and Josling 1990, 62-63.</p>	<p>*Same as for Mandate Report of COMM.</p>	<p>*Led to reforms of March 1984</p>

<p>8. C.A.P. reforms, initiated by C.O.M. (March 1984) had 3 features:</p> <ul style="list-style-type: none"> a. adopt guarantee thresholds; b. production quotas on milk; and c. phase-out of positive M.C.As. <p>*Sources: Avery 1984, 655; and Vasey 1985, 650-51.</p>	<p>FRG: opposition to phasing out of MCAs; demand that farmers be compensated by direct income aids from the EC because successive revaluations of green DM had reduced farm income</p> <p>*General opposition in E.C. to milk quotas</p>	<p>FRG: remains in opposition France: reluctant acceptance, as with most other members</p> <p>*E.C.U. aligned to currency appreciating most (the <i>deuschmark</i>) to curb growth of positive M.C.As.</p> <p>*C.O.M. receptive to 3 long-term needs:</p> <ul style="list-style-type: none"> a. farm guarantees no longer unlimited; b. production quotas on milk; and c. restrictive price policy
<p>9. Price-fixing for 1985-86 by COMM, as follow-up to Reforms of 1984 (January 1985), motivated by 3 considerations:</p> <ul style="list-style-type: none"> a. Reforms of 1984 had to be implemented; b. restrictive price policy was now inevitable; and c. reduction of excessive expenditures on specific products, such as live stock and beef <p>*Source: Vasey 1985, 654-55.</p>	<p>FRG: defiant to reduce guaranteed prices, especially for cereals; demands permanent intervention prices for bread-making wheat; conveys willingness to accept cereals price reduction of less than 1%</p> <p>France: deliberately restrained in overall responses; reluctant approval; strongly favors reduction of cereals prices for reasons provided earlier</p>	<p>*Overall compromise: COMM invited to break C.O.M. stalemate in April 1985, settled for 1.8% cereals price reduction</p> <p>FRG: invokes para. 1 of Luxembourg Compromise on May 6 (when major interests at stake, C.O.M. allows for reasonable period to reach solution acceptable to all); invokes para. 2 on June 11-12 (when major interests are at stake, discussions to continue until unanimous agreement reached)</p> <p>*President announces July 15-16 that COMM unable to reach decision since COMM unwilling to modify proposals, and FRG unable to accept more than 1% cereals price reduction</p> <p>*FRG got permanent intervention price for bread-making wheat</p> <p>*Compromise for all sides: no side worse off</p>

<p>10. Reform measures adopted by C.O.M. (February 1988):</p> <ul style="list-style-type: none"> a. adoption of budgetary and agricultural "stabilizers" to restrict expenditures on price and market supports b. shift decisively from the guarantee to the guidance section of EAGGF by doubling expenditures on modernizing farms, and expanding European Social Fund and European Regional Development Fund <p>*Sources: Avery 1988, 523; Moyer and Josling 1990, 78-101; Patterson 1993, 7-16; and Pinder 1991, 90-93.</p>	<p>FRG: opposition to COMM modifying COM decisions; agricultural policy ought not be determined by budgetary considerations; opposition to COMM price cuts; approval of new revenue before adopting stabilizers; proposal of set-asides instead of price reductions; push MGQ to 165m tonnes.</p> <p>France: opposition to COMM modifying COM decisions; agricultural policy ought not be determined by budgetary considerations; support for COMM price cuts; approval of new revenue before adopting stabilizers; proposal for co-responsibility levy; push MGQ to 165m tonnes (instead of 155m proposed by COMM).</p>	<p>FRG's proposal of set-asides accepted France: able to circumscribe damage of adopting stabilizers; increase revenues</p> <ul style="list-style-type: none"> *Final MGQ compromised at 160m, which was French desire (FRG was willing for 158m tonnes) *Franco-German mutual accommodation proves a winner at 1988 Brussels summit of E.C.
<p>11. MacSharry Reforms, from DG-IV (February 1991):</p> <ul style="list-style-type: none"> -reduce price supports to world market levels, wheat by 35% -asymmetric compensation: full compensation up to 35 hectares, 75% between 31-80 hectares, and 65% for farms over 80 hectares -compensatory payments for set-asides so as to reduce output by 15% (small farmers exempted) <p>*Sources: Moyer 1993, 7; and Patterson 1993, 16-26.</p>	<p>France: mostly hostile to reforms package since Louis Mermaz took over as Agriculture Minister in late 1991</p> <p>Germany: mixed responses since former FRG has small farms and likely to benefit more; and former GDR has large farms and unlikely to benefit; nevertheless, D.B.V. strongly opposed the package</p>	<ul style="list-style-type: none"> *Suggested a breakthrough in deadlocked Uruguay Round talks of G.A.T.T. *France and Germany unlikely to allow reforms

<p>12. Blair House Agreement, between MacSharry and Madigan (November 1992):</p> <ul style="list-style-type: none"> a. reduce export volumes by 21% by year 2000 b. reduce base area sown to oilseeds by 15% in 1993 and 10% in each of the years to follow <p>*Source: Moyer 1993, 17-18.</p>	<p>France: threatens to use Luxembourg Compromise to veto accords Germany: ambivalent in response</p>	<p>*Concluded out of panic when U.S. imposed sanctions against E.C. worth \$300m in November 1992</p>
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Although Article 39 of the Treaty of Rome of 1957 spelled out five broad objectives of a common farm policy, C.A.P. took shape from only 1962, even then under a French ultimatum to withdraw from the customs union unless the Federal Republic agree to negotiate agriculture. Those goals were: (a) increase output by rationalizing production, modernizing inputs, and encouraging the reciprocal use of the factors of production, especially labor; (b) insure equitable standards of living for farmers by boosting income; (c) stabilize markets; (d) guarantee secure food supplies; and (e) insure reasonable prices to consumers (Alvarez, et al. 1990, 89-90; Arbuthott and Edwards 1989, p. 77; and O.E.C.D. 1974c, 37-39). They seek to enhance the principles of establishing (a) a single market, (b) communitarian preferences, and (c) financial solidarity. Implementation took place over two phases, a transitional phase of three 4-year periods until 1970, when policies and prices were harmonized and instruments were identified, improved, and implemented; and a permanent phase after 1970, when a single market is to be established. Whereas Community directives have been implemented fairly successfully, in adjusting them to national farm policy interests, however, tensions have arisen (Koester 1990, 126-45; and Navarrete 1990, 110).

Why have such tensions arisen? Broadly speaking, it has not been easy to adjust domestic policy instruments to the three Community principles. To establish a single market and common preferences, four broad types of instruments have been emphasized by the Community: (a) those eliminating internal barriers to farm trade, (b) adopting common prices, (c) developing a common unit of account, and (d) coordinating trade with the rest of the world. A fifth policy instrument, the use of guarantee and guidance funds, was added in seeking the principle of financial solidarity (Arbuthott and Edwards, 77-87; Navarrete, 111-27; and O.E.C.D. 1974c, 98-107). The nature of tensions fostered by the usage of instruments are summarized below in that order.

Internal barriers may be physical, technical, and fiscal, each one of them impeding full integration of the Community. Chief among the physical barriers is the system of border posts regulating trade. As these have been slowly dismantled, various kinds of technical barriers to trade have emerged, such as on health, quality of product, flow of capital, preservation of markets, and so forth, which appear to be resistant to both harmonization and elimination.

Common prices have been adopted on the basis of trials and errors. There are three levels of prices and two of tariffs. Target prices, set by the Council of Ministers, project expected prices for the forthcoming year on the basis of performances in the current year. Depending upon the product, they are also called indicative, guide, norm, or basic prices (Navarrete, 114). To attain these prices, products may be withdrawn from the market. If prices of a product fall below the target level, the E.C. steps in to purchase that commodity at an equitable price, also called the intervention, or guaranteed, or minimum prices. Finally, there are entrance prices, determined by both the Council of Ministers and Commission, to regulate imports, and usually at levels favorable to E.C. importers. While they can serve as an instrument of protection, the level at which they are established varies for different commodities. To harmonize these prices, the E.C. has relied on a Common External Tariff (C.E.T.), as well as variable levies, or prelevement. Whereas the tariff is *ad valorem* and applied mostly to manufactured goods, the levies are expressed as the difference between the entrance price and world price, and applied mostly to farm goods. In addition, the E.C. utilizes export subsidies, safeguard clauses, and compensatory levies (*ibid.*, 121-22).

Whereas the adoption of the variable levy, establishment of price supports, and financing the costs of C.A.P. involved conflicting interests between France and the Federal Republic, by attaching C.A.P. to larger national interests and adopting a *quid pro quo* approach, France was able to win concessions on all three counts. It refused to move to the second 4-year period of the transitional phase in 1961 unless the Federal Republic, which was eager to liberalize trade for manufactures, agreed first to establish a common farm policy built upon variable levies. In the same way, it made the German desire for success in the Kennedy Round of G.A.T.T. contingent

upon an agreement to keep support prices low and for the Community to pay for the costs of C.A.P., both of which were initially opposed by the Federal Republic.

Whereas the C.E.T. and variable levies provide a large proportion of the E.C. income, the single most important source of income is the value added tax (V.A.T.), adopted in 1969 upon the insistence of France that the Community have its own budget and taxes, and thereby take on the responsibility of providing the costs of implementing C.A.P. Indeed, another French maneuver, to not admit Denmark, Great Britain, and Ireland into the Community until V.A.T. was adopted, forced Germany to concede again. Except for agriculture, for which the V.A.T. rate is mandated to be zero, members are obligated to collect this tax at each stage of the production and marketing process (O.E.C.D. 1987, 43-44). Farmers are reimbursed expenses for inputs. Harmonizing V.A.T. rates, however, has not been easy since different members have different types of rates. For instance, France employs four rates, the Federal Republic three, and Great Britain only one.

To facilitate the formulation of common prices, a common method of measuring prices has been sought from the very outset. The original mechanism was called the Common Unit of Account (C.U.A.), based on the fixed gold standard rate of the I.M.F. and each unit of which was equivalent of one U.S. dollar. However, it was destabilized almost instantly, by the revaluation of the *deutschmark*, the devaluation of the *franc*, and the collapse of the fixed exchange rate regime (Navarrete, 116-18). The difference between the actual exchange rate of a national currency in terms of the C.U.A. came to be called the "green rate", which members manipulate to promote such national interests as sustaining farm incomes or limiting consumer price increases (Arbuthnot and Edwards, 82).

To account for the difference between market and green rates, a monetary compensatory account (M.C.A.) emerged from 1969 and expressed in terms of the European Currency Unit (E.C.U.) from 1979 (O.E.C.D. 1987, 30-33). To equalize prices with the E.C.U. price, the M.C.A. taxed farm exports from a weak currency member and subsidized farm imports into a strong currency member (Navarrete, 120-21). Consequently, weak-currency countries, such as France, built up a negative M.C.A., and strong-currency countries, such as the Federal Republic and the Netherlands, built up a positive M.C.A. Relatively higher farm prices in the Federal Republic expanded output significantly, thereby increasing the degrees of food self-sufficiency, convergence in production patterns with France, and national autonomy within the framework of the Community. They also had a ripple effect across the Community, first raising subsidies, then generating calls to reform C.A.P. Although West Germany adamantly refused to concede on M.C.As., the Council of Ministers of the Community decided in April 1984 to phase out positive M.C.As., and as a concession to the Federal Republic, shift to a green E.C.U. based on the *deutschmark* (Moyer and Josling, 66).

The long-term goal of the C.A.P. is to bring about structural changes, reflecting the third principle of fostering financial solidarity (O.E.C.D. 1987, 92-101). Members are not only eligible for Community level funds, but also required to contribute to those funds. The principal instrument whereby borrowings and payments are coordinated is the European Agricultural Guarantee and Guidance Funds (E.A.G.G.F.). Established in 1962, it initiated the *guarantee* dimension during the transitional phase, but has faced subsequent resistance, particularly from Germany, in proceeding with the *guidance* dimension. Whereas the guarantee provisions oversee price support programs, subsidies, and M.C.As., the guidance provisions seek such structural changes as modernizing inputs and reducing farm population (Arbuthnot and Edwards, 79-80; Navarrete, 124-26; and O.E.C.D. 1987, 102-03, and 105).

One of the problems of increasing concern in the E.C. is that, whereas the budget accounts for only 1% of the G.N.P. of its members, over two-thirds of the budget is spent on agriculture. While more than half of the revenue comes from V.A.T., more than half of the costs are for programs of farm intervention, restitution programs, and the M.C.As. (Burrell, 181-91). In 1980,

through the M.C.A. system, a sharp expansion of German farm output. Just as French domestic interests alone demanded the establishment of C.A.P. in the early 1960s, by the 1990s, they were joined by their counterparts in Germany in sustaining the agricultural status quo. Yet, two factors undermine any serious claim of increasing farm integration between the two countries: (a) whatever level of farm integration was attained by the 1990s, came at an exorbitant cost, and the resultant fiscal constraint may very well get in the way of further integration; and (b) Germany has become less of an agricultural importing country in the 1990s than in the 1960s, and this may have enormous ramifications by triggering nationalistic considerations in France, the country most dependent upon farm exports, especially to Germany.

Level 2: Ratification Within the Domestic Context:

How were the outcomes of supranational negotiations sold at home? To address that question, I examine first the nature of domestic farm policy, then social groups.

Domestic Farm Policy:

What are the similarities and differences in the strategic objectives, implementation, and consequences of farm policy in the two countries? While the objectives, nature of implementation, and consequences are summarized in Table 8, general similarities and differences are highlighted in Table 9.

Table 8 about here

Table 9 about here

The strategic objectives of farm policy in both countries streamline the goals of C.A.P.. These have built upon the *Loi d'Orientation Agricole* of 1960 and the *Loi d'Complementaire* of 1962 in France, as well as the *Landwirtschafts* of September 1955 and the *Agrarbericht* of 1973 in the Federal Republic. In both countries, farm policy has sought to (a) strengthen farmers by uplifting the infrastructure, extending social security and other welfare benefits, and providing appropriate education; (b) rationalize production by modernizing equipment to allow farmers to engage more freely and frequently in world trade; and (c) improve the capacity of producers to negotiate by providing and promoting marketing arrangements and cooperatives.

From the very outset, the first objective has been pursued diligently. In the Federal Republic, the Agricultural Old Age Benefits Scheme of 1957, Agricultural Accident Insurance, and the mandatory Health Insurance for Farmers program of 1972, extended various kinds of welfare benefits, while under the Federal Labor Promotion Law of 1969, not only was specialized training made available to farmers, but also used to prevent farm unemployment, decline in income, labor immobility, and adjustment problems while undergoing training. Whereas expenses incurred for all these undertakings were borne by the national government, the *lander* governments also undertook payments under the Farm Advisory Scheme from 1973, providing all kinds of socio-economic advice (Lenel 1990, 263-64; and O.E.C.D., 1974b, 48-50). In France, farmers have a choice between a mandatory insurance system, covering old age, sickness, disability, and maternity, or a voluntary insurance system for which the national government reimburses over 80% of expenses for most of these items. The national government also reimburses value added taxes paid by the

about E.C.U.7b was paid to support producers of milk, 1.6b for cereal producers, 1.3b for producers of beef, and 400m for producers of oilseeds. By 1988, the corresponding support costs were 6.5m for milk, 5.8m for cereals, 3.2m for beef, and 2.6m for oilseeds (Moyer and Josling, 83). Not only have the costs of regulating programs increased sharply, but the agricultural sources of revenue have also been declining consistently. The deficit of E.C.U.3b in 1983 shot up to over 16b in 1987, prompting more urgent calls for reforming C.A.P. (ibid.).

Structural changes were first proposed in the Mansholt Plan of December 1968, which sought to reduce the number of farmers by 5m, most of them small family farm owners. Named after Sicco Mansholt, the former Dutch Agricultural Minister who became the first European Commissioner on Agriculture, it represented the supranational orientation and objectives of the European Commission (COMM), which was to frequently conflict with the Council of Ministers (C.O.M.), an institution reflecting largely the national interests of members (Moyer and Josling, 52-59). Entrenched opposition in the Federal Republic prevented it from even being adopted (Alvarez, 95). However, it produced the more feasible mini-Mansholt Plan of April 1972, whose four "socio-cultural" directives were similar with the strategic objectives of C.A.P. and have produced almost identical results (Moyer and Josling, 59-60; and Navarrete, 137-39). Nevertheless, the mini-Mansholt Plan was driven more by national than Community interests, evident in the priority given farm price supports and subsidies over modernization and rationalization. Institutionally, it revealed the greater clout of the C.O.M., which indeed pared the Mansholt Plan into its 1972 shape, over the COMM in formulating Community directives.

Tension between the COMM and the C.O.M. was most evident in the 1980s over the question of whether to reform C.A.P. or not. Whereas the former found it imperative to undertake immediate reforms, if only to prevent the disintegration of the Community for reasons of financial insolvency, the latter, representing a collage of vested and domestic interests, consistently refused to yield on one or another of the specific programs or policies of C.A.P. Successive German agricultural ministers, Josef Ertl until 1983 and Ignaz Kiechle since, simply refused to budge on lowering price supports or phasing positive M.C.As. out. Although the ministers represented different parties, both were handpicked representatives of the D.B.V.

If the Community budget constraints explain one part of the tension between the COMM and the C.O.M., another part may be understood from the conflict over cereals surpluses with the United States, particularly in the Uruguay Round of talks. To dispose of surpluses, exports were liberally subsidized, which not only threatened the export interests of the United States and the Cairn Group of countries, but also violated one or more provisions of G.A.T.T. The U.S. retaliation began with the Export Enhancement Program in 1985 (Libby, chps. 5 and 6), but culminated in a trade cold war between two major blocs--the European Community and North America. Although compromises between blocs and breakthroughs were made, especially through the MacSharry Reforms of 1991 and the Blair House Accords of 1992, these, in turn, have generated oftentimes intense opposition from farm groups within the two critical players in the European Community--France and Germany. In the final analysis, Community directives continue to be reshaped or scuttled by national considerations, particularly of its two key original members acting in conjunction.

Analysis:

The twelve instances of negotiations in Table 7 reveal a shift in the locus of power within the Community. During the transitional phase, France was clearly setting the pace and extracting concessions from the Federal Republic, as the outcomes of the first three sets of issues in Table 7 indicate. However, between the Mandate Report of 1981 and the Brussels Summit of 1988, Germany held out defiantly and successfully, sometimes all alone, once even invoking the veto, against the numerous attempts to reform C.A.P. One explanation for the increasingly robust German position was the increasingly appreciating value of the *deutschmark*, which triggered,

TABLE 8:

SUMMARY OF FARM POLICY OBJECTIVES, IMPLEMENTATION, CONSEQUENCES
IN FRANCE AND THE FEDERAL REPUBLIC OF GERMANY

COMMON STRATEGIC OBJECTIVES	IMPLEMENTATION AND CONSEQUENCES	
	FRANCE	FEDERAL REPUBLIC OF GERMANY
1. Improve terms of trade	*legislations of 1960 and 1962 providing social security, benefits; *choice of insurance; *reimbursement of V.A.T.	*legislations of 1957, 1969, 1972, 1973 providing variety of social security, welfare, adjustment benefits, and so forth
2. Rationalize production	*successful: higher rates of yields expand exportable surpluses	*successful: increasing rates of yields reduce imports, but increases potential for strain with France
3. Provide marketing arrangements	institutions: O.N.I.C.; S.I.D.O.; F.O.R.M.A.; O.N.I.B.E.V.; and F.I.R.S.	legislations and institutions: Marketing Structure Act; Sales Promotion Fund; E.V.Se.

Sources: O.E.C.D., *Agricultural Policy in France* (Paris: O.E.C.D., 1974), pp. 74-75; and
-----, *Agricultural Policy in Germany* (Paris: O.E.C.D., 1974), pp. 37, 48-50.

TABLE 9:

SUMMARY OF SIMILARITIES AND DIFFERENCES IN FARM POLICIES OF FRANCE
AND THE FEDERAL REPUBLIC OF GERMANY

SIMILARITIES	DIFFERENCES
<ul style="list-style-type: none">*farm policy part of rural and industrial policies;*significant governmental intervention*national farm policy streamlined with C.A.P.	<ul style="list-style-type: none">*modernization more constrained in F.R.G.*provincial government more influential in F.R.G.*agriculture more prominent part of national economy in France, but farm protection at higher levels in F.R.G.

TABLE 10:

INCREASES IN YIELDS AND DEGREES OF SELF-SUFFICIENCY OVER TIME
IN FRANCE AND THE FEDERAL REPUBLIC OF GERMANY

INCREASES IN YIELDS (in %) BETWEEN 1970 AND 1989						
	Wheat	Corn	Soybean	Beef/Veal	Eggs	Milk
Federal Republic	63	48		30	23	25
France	85	32	20	30	30	

DEGREES OF SELF-SUFFICIENCY						
Cereals (in %)		1972-73				
	1989	Wheat	Sugar	Potatoes	Butter	Poultry
F.R.G.	71	102		94	90	46
France	110	224	164	107	115	104

Sources: O.E.C.D., *Agricultural Policy in France* (Paris: O.E.C.D., 1974), p. 22; and -----, *Agricultural Policy in Germany* (Paris: O.E.C.D., 1964), p. 12.

farmers (O.E.C.D. 1974a, 75-77). Since 1965, when social welfare payments amounted to about Fr.9b, expenditures not only doubled over the next ten years, but also became the single largest item of payment by the national government to farmers, ahead of even support prices and credits (ibid., 46). In 1972, they accounted for 14% of gross farm income (ibid., 76). The *Loi d'Orientation Agricole* of 1960 also stipulated the creation of an extensive network of agricultural schools and scholarships, especially for vocational training and higher education (ibid., 69-70).

The second objective of rationalizing farm performances involved mechanization in both countries, as evident in tables 3 through 6. Table 10 summarizes some of the consequences.

Table 10 about here

It shows the substantial improvements in yields and degrees of self-sufficiency between 1970 and 1990 for several products in both France and the Federal Republic. At least three conclusions may be drawn from Table 10. First, the strategic objective of rationalizing and modernizing farm production had clearly succeeded in both countries. Second, the rates of growth for most products were higher in France than in the Federal Republic, suggesting the greater degree of efficiency in that country. Third, whereas France produces surpluses of most products, the Federal Republic, though rapidly increasing the degree of self-sufficiency, still remains deficient in most.

The third strategic objective of farm policy, to strengthen farmers in marketing their products through state intervention, reveals how much more centralized French agriculture has been compared to the Federal Republic (O.E.C.D. 1974a, 49-57; ----- 1974b, 46-48; and ----- 1987, 90-91). Table 11 provides an overview of the various institutions and their functions in both

Table 11 about here

countries. Marketing institutions in France are more national, in the Federal Republic more local. In both they implement decisions taken at the Community level, and their expenses are reimbursed by the Community. In France a network of producer cooperatives at the local level, which receive favorable tax treatment, preferential credits, and encouragement to regulate markets, augment operations of the national organizations. By comparison, the Federal Republic relies on national legislations and utilizes local institutions for purposes of implementation.

Another strand of state intervention in farming relates to prices and reveals the different patterns used in the two countries. At least three factors influenced farm price changes during the initial years of the implementation of the C.A.P. The first was the Community objective to establish common prices among members. Another represents changes in currency values. Finally, important changes in retail prices also had an impact on farm prices.

When the E.C. harmonized prices in 1967, French farmers earned less than the average of all Community farmers, while farmers in the Federal Republic earned relatively more than the average. To equalize prices, the Community allowed French farmers to raise prices, especially after 1969, and particularly the producers of beef, veal, mutton (O.E.C.D. 1974a, 29-31). By 1972, farm prices were increasing at the rate of 12.5% annually. In the Federal Republic, however, farmers had to reduce prices. From 1967, a 10% reduction was imposed by the government. To cushion the impact on farmers, particularly cereals producers, degressive compensations were paid, amounting to DM560m in 1967-68 and DM187m in 1969-70 (O.E.C.D. 1974a, 35). These directives depended upon and increased the intervention of national governments.

TABLE 11:

**MARKETING INSTITUTIONS/LEGISLATIONS AND FUNCTIONS
IN FRANCE AND THE FEDERAL REPUBLIC OF GERMANY**

	Marketing Institutions/ Legislations:	Functions:
Federal Republic of Germany	*Marketing Structure Act (regional) *Sales Promotion Fund (regional) *E.V.St. (import and storage agencies)	*Integration: horizontal and vertical; extends start-up costs; controls quality *extends degressive payments *stabilize markets; supervise foreign trade; extend transportation subsidies
France	*O.N.I.C. (cereals) *S.I.D.O. (oilseeds) *F.O.R.M.A. (dairy, fruits, vegetables) *O.N.I.B.E.V. (beef, veal, mutton, lamb) *F.I.R.S. (sugar)	*common to them all: -regulate prices -implement Community policies: extend advance payments; collect produce, levy taxes

Sources: O.E.C.D., *Agricultural Policy in France* (Paris: O.E.C.D., 1974), pp. 49-61; and O.E.C.D., *Agricultural Policy in Germany* (Paris: O.E.C.D., 1974), pp. 46-52.

A second factor to affect prices was the impact exchange rates had on agriculture (Story 169-73). In 1969 the Federal Republic revalued the *deutschmark*, indicating its stronger purchasing power, while France devalued the *franc*, hoping to increase its market value. These macropolicy changes affected the farm sectors in the two countries differently. In the Federal Republic, support prices fell by 8.5% for farmers, who lost upwards of DM1.7b annually (Braun 1990, ch. 10, esp. 183-86; and O.E.C.D. 1974b, 35). Since devaluation rates were not applied to agriculture in France, the gap between higher prices in West Germany and the lower prices in France needed adjustment. Since Community directives have to be implemented on the basis of national considerations, member governments became more involved as arbiters of prices.

A final factor affecting farm prices, the relative position they held against average retail prices, also provides insights to the differences in state-society relations between the two countries. Whereas the rate of increase of average farm prices dovetailed the growth of average retail prices in France (O.E.C.D. 1974a, 30), in the Federal Republic the gap between average farm prices and average retail prices began to widen, much to the benefit of farmers, but detriment of consumers (O.E.C.D. 1974b, 21). This, in turn, suggests that relations between farmers and the larger national society are more predictable in France than in Germany, but that, if groups are rational actors (Olson 1965), they appeared to have more clout in Germany than in France over policy-makers. The next section takes a closer look at farm groups.

Farm Groups:

How influential are farm groups over policy outcomes? Four dimensions are investigated here: the number of organizations in each country, their philosophy, the framework within which they operate, and the political impact they have had. Available evidence indicates that, although high protection has been sought by farmers in both countries, the method adopted and framework of operations have been quite different. Table 12 provides an overview of the discussion to follow.

Table 12 about here

Whereas one peak organization represented all farmers in the Federal Republic (Andriik 1981, 105-07)), France has had at least five parallel groups (Muth 1970, 96-114, 137-48, and 214-31). The *Deutsche Bauernverband* (D.B.V.) was established in 1948 as a federated group representing fifteen *landers*, or regions, of the Federal Republic. It recognizes, and cooperates with, over thirty specialized associations, such as those representing farm cooperatives and teachers of farm education. From 1975, however, its relationship of convenience with the government has been seriously questioned by the *Deutscher Bundesverband der Landwirte im Nebenberuf* (D.B.L.N.), an organization of part-time farmers (Hendriks 1991, 144-60). By contrast, there are at least five important groups in France: the National Federation of Farmers (F.N.S.E.A.), the National Center of Young Farmers (C.N.J.A.), the French Federation of Agriculture (F.F.A.), the Movement for the Defense of Family Farms (M.O.D.E.F.), and the *Confederation Paysanne*. Although only the first two are influential over policy making, the presence of so many other organizations indicate differences in preferences (Moyano 1990, 200-01, 205-06).

Philosophically, although farm groups in both countries have historically sought protection, the D.B.V. has been forceful in its pursuit, while the French groups have been free-riders of state-sponsored and Community-sponsored protection. In France, the F.N.S.E.A. and C.N.J.A. belong to the Council of French Agriculture, whose third member is a national federation of cooperatives, known as the C.N.M.C.C.A. Whereas this Council co-manages farm policy with the French administration, the D.B.V. influences policies indirectly, by playing off political parties during elections (Moyano, op cit; and Weiss, 1989, 74-75).

The framework of operations is defined, in part, by the cohesion of groups and the degree of policy centralization. France has been characterized by heterogeneous types of farming, uneven stages of rural development, and sporadic resistance to the modernization process, as evident in the split of the F.F.A., M.O.D.E.F., and *Confederation Paysanne* from the F.N.S.E.A. (Cleary 1989, 136-42; and Muth, 69-101). Yet, policy coordination has been highly centralized and bureaucratized (Muth, 19-65). Although farming in West Germany was relatively homogeneous, rural development rather uniform, and groups considerably more united, policy making was unusually decentralized.

Politically, until 1969 the conservative Federal Republic farmers exchanged votes for transfer payments, in the form of welfare benefits and pensions, from the Christian Democrat government (Andriik, 107-118; and Hendriks 1991, ch. 4). Since then farmers have increasingly been demanding price supports instead. The Free Democrat Party included this provision in its platform during the 1969 elections in order to get the 5% popular vote to be represented in the *Bundestag*. For winning the support of farmers, the F.D.P. was allowed by the Social Democrat Party to provide the Minister of Agriculture in the coalition government from 1969, who turned out to be Josef Ertl, chosen by the D.B.V. In 1983, farmers flocked to the Christian Socialist Union, a junior partner of the C.D.P.-led coalition, causing the political pendulum to shift again. Accumulating disenchantment among farmers led owners of small farms to boycott the elections of 1988, while owners of large farms demanded more income (Hancock, 122-29; and Katzenstein 1987, 52-53). Chancellor Helmut Kohl chose to neither withdraw supports from farmers, nor confront France, which was by now favoring a reform of the C.A.P. The day of reckoning was, again, postponed (Moyer and Josling, 82-84).

By contrast, the Council in France has faced less the vicissitudes of party politics than those of sectionalism. Representing a collage of high-cost and low-cost farming provinces, France experienced more opposition to its modernization process than had the Federal Republic. Although the Council, which favors modernization, is supported by the majority of farmers, especially in the Paris Basin, which covers one-third of France, the opposition has been increasing, as indicated by the growth of splinter groups and outburst of isolated protests.

The most important farm organization in the German Democratic Republic was the cooperative, controlling over 85% of all land. Yet, the institution was unpopular, and had to be imposed. Collectivization culminated in the exodus of farmers during the 1960s. Those who remained had to accept the status quo of working with the Social Unity Party (Dennis 1988, 50, 140-44; and O.E.C.D. 1981, 99-171).

In spite of the parallel growth of encompassing groups, the D.B.V. in the Federal Republic and the cooperative in the German Democratic Republic, some areas of incongruities remain. First, the party preference of farmers in the former G.D.R. may be quite different from those of farmers in the former Federal Republic, thereby sowing the seeds of further discord and fragmentation. Second, whereas the addition of the G.D.R. will not instantly enhance the economic performance of the united country, the addition of high-cost farming units will certainly bloat the financial burdens of united Germany, thereby expanding the scope for increased government intervention and urban consumer opposition. Finally, since the scope for modernization is larger in the G.D.R., more benefits are likely to shift towards farmers of the G.D.R., perhaps at the expense of their counterparts in the Federal Republic.

Analysis:

Table 13 provides an overview of group responses in the two countries to Community-level farm negotiations. Some caveats: First, a cause-effect relationship between negotiations at the Community level and domestic ratification frequently involves a time-lag and is rarely precise:

TABLE 12:

NUMBERS, PHILOSOPHY, FRAMEWORK OF OPERATIONS, AND POLITICAL IMPACT OF FARM ORGANIZATIONS IN FRANCE AND THE FEDERAL REPUBLIC OF GERMANY

	Number of Peak Organizations	Philosophy	Method	Framework of Operations	Nature of Political Impact
		Objective			
Federal Republic of Germany	1	*protection	*influence through ballots	*homogeneous farming *relative group unity *local autonomy in policy making	*shifting party allegiance *influence in elections *opposition against state intervention, especially by owners of small farms
France	5	*protection	*comanagement	*heterogeneous farming *multiple sectional interests *centralized policy making	*alignment with bureaucrats *opposition against modernization (especially by outlying farmers) *scattered farm protests, often violent

TABLE 13:

LEVEL II: DOMESTIC ORIGINS OR RATIFICATION OF COMMUNITY FARM NEGOTIATIONS

PHASES:	GERMANY: <i>Deutsch Bauernverband</i>	FRANCE: Council of French Agriculture
<p>1950s-1960s:</p> <p>*Sources: Hendriks 1989, 87; ----- 1991, 150-54; and Muth 1970, cp. 5.</p>	<p>*C.A.P. seen as a threat</p> <p>*D.B.V. shifts loyalty to F.D.P. in 1961 election; together they had formed a Green Front in the <i>Bundestag</i>, with attention concentrated in the Committee on Food, Agriculture, and Forestry</p> <p>*F.D.P. joins C.D.U./C.S.U in coalition government</p> <p>*D.B.V. provides Minister of Agriculture (Schwarz) through F.D.P.</p> <p>*scissor tactic adopted: Community directives to be opposed, forcing C.D.U./C.S.U. to resort to a dialectic process of consultation with F.D.P.</p> <p>*To conclude cereals price support agreement with France, Chancellor Erhard makes a deal with D.B.V. President, Edmund Rehwinkel:</p> <p>a. lower price from DM475/tonne to 440, not 425</p> <p>b. provide fiscal concessions, improved social measures, investment subventions, and full compensation for reduction in income (worth DM1.1b)</p> <p>*shifts loyalty to S.D.P./F.D.P. coalition in election of 1969; as part of the deal, D.B.V. provided Minister of Agriculture (Ertl)</p>	<p>*C.A.P. welcomed eagerly</p> <p>*rural riots in 1961 demanding new export markets; led to French ultimatum to FRG about withdrawing from customs union</p> <p>*groups too divided to take coherent stand, but inspired by E.E.C. officials, who courted them to ratify the Treaty of Rome, to organize into groups, which became intermediaries in this process</p> <p>*ratification successful, but farmers also conveyed rising expectations of material benefits</p> <p>*rural complaints against "peasants of Paris" led to warmer relations with Community officials in Brussels than national leaders in Paris</p> <p>*1965 polls among farmers:</p> <p>35% favored European integration, but with preservation of national independence;</p> <p>12% favored abandonment of national sovereignty;</p> <p>12% favored national independence at all costs; and</p> <p>37% were uncertain, reflecting the lack of information and divisiveness among French farm groups</p>

Table 13 about here

One reason why could be that Community level negotiations may be triggered by farm group preferences, rather than await subsequent ratification, and that the position adopted by a country, for example, Germany, may be pre-determined by domestic arrangements already completed. Another could be that whereas group preferences, being rigid, are expressed in black-and-white terms--support for some policies, opposition for others--Community directives are more flexible and subject to budget and other constraints. A second caveat is that, although there exists a Community-level farm group, called C.O.P.A., comprised of representatives from the agricultural sectors in each country, domestic farm groups in both France and Germany still prefer to operate directly through national governments. Consequently, less attention is given to C.O.P.A. than it deserves. Finally, since C.A.P. was the outgrowth of the demands of French farmers, reactions to Community directives are generally mostly from German farmers, not French, at least not until the 1990s. Hence, there is more information about the D.B.V. than about its French counterparts.

For these reasons, Table 13 does not specify each and every instance of negotiations from Table 7. Instead it presents a general picture of group responses or preferences. Three phases are created within which group dynamics are encapsulated.

Ratification of Community agricultural negotiations within the domestic context appears to have a pattern of its own: the constant expression of dissatisfaction by farmers in Germany, matched by the efforts of the government to not only appease them, but at increasingly higher thresholds of compensation. Not only does this pattern antedate the establishment of the European Community, but the creation of the Community also sets an example for other farm groups in member countries to emulate. This is where the critical difference is most evident, and it is very nationalistic in nature: Germany alone commands an economy reflecting more sustained growth and vitality than any other European country; consequently it alone can afford to raise the stakes of group compensation without more than a passing thought of the impact on the national economy. No other member, including France, can do this.

What about the implication of German farmers upon their French counterparts? In the 1960s, French farmers were, by and large, enthusiastic about C.A.P.: their hopes of new export outlets were raised. Since then they have also been free-riders of the escalating levels of protection demanded by their German counterparts. Only recently have they expressed concern, prompted by the prospects of losing those markets abroad. In this they find an identity with German farmers, who have always been concerned about falling incomes and inadequate prices. If this identity holds, it may thwart any reform movements at the Community level, and in the process, exacerbate nationalistic sentiments in both countries.

Conclusions:

Bearing in mind the original questions of investigation, a number of observations may be made about the status of farm integration between France and Germany:

First, at the time C.A.P. was adopted, whereas France provided the initiatives and leadership and the Federal Republic generally followed, in more recent years, the pattern has reversed itself decisively. Germany has utilized the M.C.A. to maximize its own national interests: seek self-sufficiency in food, a historical imperative; sustain farm support, which has proven to be critical in election after election; and manipulate macroeconomic policy to keep the value of the *deutschmark* propped up, thereby guaranteeing farmers incentives to keep producing and remain pacified.

<p>1970s: Hendriks 1991, 154-60.</p> <p>*Source: Hendriks 1991, 154-60.</p>	<p>*Keep M.C.As; develop E.M.U. *D.B.V. complains that farmers "not pampered" by Agriculture Minister Ertl *rejects direct income subsidies</p>	<p>*Eliminate M.C.As.</p>
<p>1980s-1990: Hendriks 1990, 154-60; and Moyer 1993a, 16-19.</p> <p>*Sources:</p>	<p>*shift to C.D.U./C.S.U. coalition in 1981 election *February-March, 1981, protest: D.B.V. demands through C.O.P.A. for 15.3% increase in prices; COMM sanctions only 7.8%; voices opposition against co-responsibility levy on milk, beef, and sugar, dismantling of M.C.As., and making prices competitive *1984 C.A.P. reforms denounced; 3 demands aired: a. price increases to account for increasing inflation; b. abolition of co-responsibility levy on milk; and c. guarantees of long-term financing from C.A.P. *Lashed out against Great Britain for demanding reform of C.A.P. *Agriculture Minister Kiechle's concession (costs to be borne by national government, not Community): a. direct income subsidies of DM 3m annually b. increased federal subsidies, especially over insurance policies, worth DM400m annually; and c. annuity of DM1m annually, for ten years, for not producing milk</p>	<p>*opposition to MacSharry Reforms in Summer and Fall of 1992, assumed anti-U.S. posture owing to the connection with Uruguay Round of talks where U.S. was demanding reduction of subsidies and tariffication *French referendum on Maastricht in September 1992: a very narrow approval; farmers unanimously voted against *March 1993 parliamentary elections: farmers vote against incumbent Socialist Party for allowing MacSharry Reform package to get through</p>

Second, regardless of which country has provided leadership over agriculture, in the final analysis, as the 30 years of implementing C.A.P. shows, a reciprocal need seems to have emerged between France and Germany: Whenever they cooperate, they are both better off than when they do not; and when they have disagreements over agricultural policy directions, both have tended to seek offsetting concessions with other important issues on the national agenda. Furthermore, the Franco-German partnership has proven to be the most critical bilateral arrangement in the European Community. Together, they are unstoppable; alone they may incur the unpleasantries of other members. Whichever way, the experiences of both countries remind us that national interests remain formidable even amidst the most successful form of integration, indeed that integration can perhaps only succeed when national interests provide the momentum.

Third, not only is Germany behind the agricultural steering wheel of the Community today, but the position of every German government can be traced to a handful of highly organized family farm-owners in the west--particularly in the 57 electoral districts, out of a total of 248 in the Federal Republic, with a rural-Protestant composition (Andrlik, 115-16), districts consistently crucial for the F.D.P. Consequently, the D.B.V., the organization of these farmers, has played a pivotal role in Europolitcs--a small change in its preferences can have large consequences for Europe, again suggesting the fragile foundations of supranational organizations.

Fourth, Community directives, national interests, and group pressures combined well to bring about convergence in farm production and output patterns for France and Germany. In the process, however, while this has helped Germany move towards a long-cherished goal of self-sufficiency, it has deprived France increasingly of export outlets. This creates a strain, the depth and impact of which may shape the future of C.A.P. during the 1990s. If this strain can be contained, chances of further integration may be improved and the recourse to national considerations may diminish.

Finally, the tussle between national and supranational interests is also reflected in the influence exerted by the Council of Ministers (C.O.M.) and the European Commission (COMM) over policy-making. Whereas C.O.M., the agency of national interests, appears to be having increasingly more control over outcomes, COMM, the agency of supranationalism, has been anything but a silent spectator. Except when decisions are critical, COMM has sustained constant pressure, though perhaps not successfully, in influencing outcomes.

Implications:

The Europeanization of farm production and the nationalization of farm decision making in France and Germany has had several implications. Three sets are suggested, the first of the emerging bilateral strain, the second on German unification, and the third on the coexistence of disparate farm policies in the Community.

There are at least three sources of strain. First, the farm policies of the two countries represent, in microcosm, one broad shift in the relative economic power in West Europe: Although Germany remains in the 1990s the pre-eminent manufacturing country in Europe, as it was in the 1950s, it is also in the 1990s more self-sufficient in agricultural products than it was in the 1950s. This erases for France the only area of relative advantage it has had over Germany after World War II. Second, the accumulating costs of the farm policies of the two countries are creating conditions for acrimony. In Germany the tendency has been to bribe farmers, in France to free-ride on the Community farm policy orientation of high protectionism. However, as both countries reach the limits of high-cost farming, the deteriorating purchasing power of consumers may translate into electoral backlashes and mutual suspicion. Third, with too many competitors in the international

market, French products may simply be pushed out of German markets if the financial crunch becomes severe in Germany.

German unification did not precipitate the strain, but may help intensify it. As this study shows, the strain reflects a cumulative process of each country satisfying, first, its national farm interests, and only then, the farm interests of the Community. German unification simply coincided with the explosion of the Community fiscal crisis and compounded the delicate compromises upon which farm policy for the two countries has been built. It may further exacerbate that relationship.

How, in fact, have the agricultural policies of France and Germany coexisted for over thirty years? First, this coexistence has been built upon political compromises and mutually coordinated farm policies. Second, the complementarity of the farm sectors of each country, epitomized in the wheat-for-tractor exchange, gave it vitality, meaning, and life. Third, for as long as the Community did not compete for external markets, this coexistence was not questioned. Finally, for as long as another member did not challenge the France-German compromise, such as Great Britain was to do with the reform campaign in the 1980s, the coexistence remained unshakable.

Theoretical Reprise:

Where are the determinants of farm policy in France and Germany to be found? Three broad sources have been identified throughout this investigation--group pressures, national interests, and supranational directives. This investigation makes the case that farm policy in both countries involves influences from all three sources, perhaps with national interests at the driving seat. The relative strength of these influences, however, varies. For Germany, societal influences have generally been dominant, probably because the country has had a long tradition of family farms, defensive in their outlook, protectionist in outlook, and extremely single-minded and organized. For France, both group preferences and state interests have combined to exert the dominant influence. Perhaps due to a variety of traditions--in group competitiveness, heterogeneous farming, and divisiveness of both political and social groups--there seems to be a problem in forging leadership over agricultural issues. At the same time, external influences emanating from the Community and global trade relations are also increasing in strength. For French farmers, the Community has generally been seen more as an ally than anything else; yet they alone face competition from farmers outside the Community, especially from the United States, creating concerns other Europeans do not face to the same degree. For German farmers, the Community has generally been seen as a threat; and as the budget crisis mounts in the Community, they alone have the most to lose in case of any reforms. For both countries, this decade presents some unparalleled challenges with regard to farm policy which may necessitate some hard choices between a nationalistic or supranationalistic orientation. So far the balance seems to be favoring the former.

By shedding light on several dimensions of the puzzle, integration theory has influenced over one generation of scholars. However, it has its own shortcomings, chief among them being its neglect of both local variables in the integration process and the local ramifications of strategic decisions; as well as its inability to offer a dynamic to connect the various levels of analysis which it was instrumental in identifying in the first place. Consequently, we are not fully equipped to bring the two arenas together--the domestic context, where supranational decisions may originate, but certainly where they have to be ratified; and the supranational context, wherefrom directives and decisions made between countries may emanate.

Putnam's theory of ratification fills in some of these blanks by offering a framework for a two-level game analysis. Its strength lies in it being simple and parsimonious. When extending it to include negotiations *between* one supranational entity with another, such as between the European

Community and G.A.T.T., this simplicity and parsimony will not be lost if instead of creating a third level of analysis (Moyer 1993b; and Patterson 1993), a string of strategies is adopted through which one could examine intra-Community negotiations, another negotiations with G.A.T.T., a third with the United States, and so forth (Paarlberg 1993).

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