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The Challenges of Enlargement and GATT Trade Negotiations: Explaining the Resilience of the European Community's Common Agricultural Policy in the 1970s

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Abstract

Both a flagship policy and a costly and wasteful liability – since its inception in the 1960s, the common agricultural policy (CAP) of the European Community (EC) has been controversial. This article investigates why the CAP survived largely unchanged through the 1970s, a decade of economic and political crisis and transformation, and maintained its centrality in the Community. The article focuses first on the entrenched institutional interests in the Council of Ministers and the Commission before analyzing two key events that could have led to a shift of interests in the EC and a reform of the policy: the accession of the United Kingdom to the EC in 1973 and the Tokyo Round of the General Agreement on Tariffs and Trade (GATT) (1973-9). The decision of the Community to protect the CAP against these challenges is revealing with regard to the state and outlook of the Community in the 1970s. The article argues that in a period of uncertainty and transformation, the CAP maintained a reluctant centrality in the EC, underscoring European unity and commitment to European integration. Internal challenges such as enlargement with the UK and external ones such as the GATT trade negotiations were thus met with the determination to keep the CAP intact.

Keywords: European integration, common agricultural policy, GATT, United States, enlargement

Introduction

The common agricultural policy (CAP) was a creation of the 1960s, of the optimistic beginnings of the European Economic Community (EEC) when substantial common policies - supranational policies - were seen as the future. Already by the 1970s the CAP came to represent wastefulness and protectionism. Yet, the policy only underwent major reform from the mid-1980s onwards. Piers Ludlow argues that by the mid-1980s the CAP had lost its centrality to European integration compared to the 1960s and that this paved the way to reform.[1] However, his study, like most other historical studies on the CAP, does not analyze the policy, its centrality and staying power in the 1970s, a period of economic recession and political uncertainty.

This article examines some of the factors that led the Community to preserve the CAP almost unchanged in the 1970s. The main focus will be on the analysis of two potential 'shocks' that could have led to a reform of the policy: the accession of the United Kingdom to the European Community (EC) in 1973 and the Tokyo Round negotiations in the General Agreement on Tariffs and Trade (GATT) (1973-9) where the CAP came under sustained attack from the Community's trading partners, most importantly the United States. The decision of the Community to protect the CAP against these shocks, even though support for the policy was also contested within the EC itself, can reveal much about the state and outlook of the Community in the 1970s. Regarding the accession of the United Kingdom, maintaining a policy that did not benefit this new member state, and which it sought to change, became symptomatic of the uneasy relationship Britain has since had with the Community.

In the 1970s, a period of uncertainty and transformation, the CAP became a symbol of unity, solidarity and commitment to European integration. The policy became a useful political and negotiation tool, both within the Community and vis-à-vis third countries, particularly the United States. An archives-based historical analysis of the CAP for the 1970s is lacking. This research is based on Community and member states' archives, private papers and oral history interviews. It aims to contribute to the history of European integration and transatlantic relations in the 1970s more broadly.

To understand the puzzle of non-reform of the CAP, it is necessary to briefly outline the main problems the policy faced in the 1970s. The CAP established an internal market for agricultural products within the EEC. Its two main instruments were price policy and a variable import levy; agricultural prices were seen as directly linked to farmers' incomes. Prices for the main agricultural products were negotiated each year in the Council of (Agricultural) Ministers who were not shy to increase prices to serve farming communities at home. Ann-Christina Knudsen characterized the CAP as a welfare policy for farmers.[2] Problems began to appear in the late 1960s when high farm prices as well as technological innovation resulted in increasing agricultural production. In the course of the 1970s the increase in production resulted in surpluses, epitomized in the butter 'mountains' and wine 'lakes'. Surplus production was bought up and stored, the costs funded by the Community. As there was no cap on CAP spending, over eighty, and at times ninety, percent of the Community budget were spent on the policy.[3] The second instrument, the variable import levies, was intended to raise the price of imports from third countries to the (usually higher) price level within the Community, while export restitutions allowed the export of Community produce onto the world market, where prices were usually lower, without Community farmers incurring a loss. The system worked well as long as the Community was importing more food than it was exporting, though this was changing in the 1970s. The Community became self-sufficient in many agricultural products and began to compete with other more efficient exporters of agricultural products on the world market.[4] Analyzing the welfare costs and trade distorting effects of the CAP and other agricultural policies, Giovanni Federico called the CAP 'the worst agricultural policy of the 20th century'.[5]

Historical and political science literature on the CAP is usually situated at two ends of the spectrum of the policy's history: the first set of literature, mainly historical analyses, seeks to explain the CAP's construction in the 1960s[6] and the second set, mainly consisting of political science or agricultural economists' analyses, studies its first reforms, in particular the MacSharry reform of 1992.[7] In political science, historical institutionalism has been used to explain policy inertia. According to this theory, original designs of a policy get 'locked-in' and become 'path dependent' and are subsequently difficult to change until an 'external shock' occurs which allows for a radical shift in a policy.[8] The 1970s to mid-1980s are then often merely referred to as the period the original design was 'locked in' and became 'path dependent', where problems were not sufficiently serious to warrant radical reform.[9] One important element regarding the persistence of the CAP is the fact that the policy was managed by an 'epistemic Community' including the Commission's directorate-general (DG VI), a plethora of management committees, most importantly the Special Committee on Agriculture and, at the top, the Council of Ministers for Agriculture, all of whom were wedded to the status quo. In this narrative, agricultural ministers were also under the spell of powerful farmers' lobbies at home, and their willingness to voice their discontent either at the ballot box (the 'farm vote') or through very public demonstrations in Brussels and member states' capitals.[10] It is this convergence of interests that held the CAP in place over a long period of time. The CAP's reforms in the 1980s and early 1990s were then triggered by internal (budgetary crisis) and external (GATT Trade negotiations in the Uruguay Round, 1986-94) events or ‘shocks’, which led to a reform of the CAP.[11] However, arguably the accession of the United Kingdom and the GATT Tokyo Round can also be defined as ‘shocks’ that seriously challenged the CAP, but did not result in reform. Neither issue has been assessed in terms of its impact, or lack of, on the CAP.

Historical studies on the CAP in the 1970s are few and far between, even though this was the decade where the policy’s problems came to the fore and it was seriously challenged for the first time – internally and externally.[12] It is therefore of interest to study the motives of Community institutions and member states to actively protect the CAP or at least tolerate it being ring-fenced. The article uses the example of the CAP to highlight intra-Community conflicts and interests as well as external dynamics such as those generated by enlargement and by the global trading system as expressed in the GATT negotiations between 1973 and 1979 that had an impact on the CAP and the Community as a whole.

The first part of the article outlines the centrality of the CAP in the 1970s, focusing on institutional structures and preferences, which have contributed to the ‘path dependence’ of the CAP. The article then studies the two events that could have led to CAP reform in the 1970s by shifting the balance and interests in the Community regarding the CAP. The first of these is the enlargement of the Community with the United Kingdom, a country that had a small and efficient farm sector and was not set to benefit much from the CAP.[13] It can thus be assumed that the UK had a strong interest in reforming the CAP. During the 1970s the CAP became an obstacle in the external relations of the Community. The fact that the Community became a major exporter of agricultural products in the 1970s (while also remaining the largest importer of farm products) was criticized in both developing and developed countries. Why this international pressure, in particular by the United States, was not sufficient to achieve change will be studied in the third part, using the example of the GATT Tokyo Round.

The Centrality of the CAP in the 1970s

Ludlow argues that by 1985 the CAP was no longer the ‘green heart’ of the Community.[14] The CAP may indeed have gradually lost importance among Community policies since it was created in the mid-1960s, but during the 1970s it was still a central policy for the EC. For the Community, the 1970s began with optimism. In December 1969, at the summit of The Hague, European heads of state and government had agreed the ‘deepening, widening and completion’ of the Community. This resulted in agreement to embark on Economic and Monetary Union (EMU), led to a settlement on the financing of the Community in 1970 (and crucially the CAP as the biggest item on the budget) as well as the opening of accession negotiations with the United Kingdom, Denmark, Ireland and Norway. However, optimism soon gave way to perceptions of crisis. Historians now interpret the 1970s and early 1980s as a period of transition and transformation.[15] New uncertainties emerged, starting with the announcement of the U.S. government, in August 1971, to suspend the convertibility of the U.S. Dollar into gold and thus end the post-war Bretton Woods system of stable exchange rates. The resulting currency fluctuations, combined with the slowing down of post-war economic growth, heralded a period of sustained inflation, high unemployment and the failure of Keynesian economic policies. These events gave rise to the perception of a deep crisis enveloping Western democracies. European integration and its future were now also in doubt. Progress on EMU and other Community projects such as common energy or regional policies failed to materialize as member states resorted to unilateral measures to cope with monetary and economic uncertainties. Transatlantic relations were also affected. The United States, until then favorable and protective of European integration, were beginning to see the Community as an economic and political rival.[16]

The CAP as a central and fully developed common policy therefore appeared as important as ever, if not more so. The European Commission and the Council of Agricultural Ministers became the guardians of the CAP, wedded to its three pillars of market unity, Community preference and financial solidarity. The Commission had played a central role in designing the CAP during the 1960s and it had an important stake in preserving it.[17] In a period where the Community was not yet the developed and stable institution it has become since the 1990s, questioning the CAP would have meant questioning the Community, and thus the Commission's, very *raison d'être*. This certainly rings true with regard to how the French government viewed the Commission during the Gaullist challenge of the empty chair crisis in 1965/6 and its aftermath. Were it not for the CAP, in which French policy makers and farmers had an important stake, their interest in upholding the Community and with it the Commission would have been even less enthusiastic.[18] This first Community crisis had also demonstrated to the Commission that it was unwise to utilize the CAP as a bargaining tool as it had done in 1965 to obtain further concessions from the Council of Ministers.[19] In addition to this clear interest in its own survival and in maintaining its own relevance and importance, the Commission's own institutional developments favored the CAP's status quo.

Undoubtedly, the Commission identified agriculture as a sector in which it could demonstrate its expertise and effectiveness.[20] Its directorate-general for agriculture (DG VI) had grown to become one of the largest and most powerful organizations within the Commission.[21] The development and particular outlook of DG VI, as well as the mechanisms of agricultural decision-making in the Commission and the Community more generally, were conducive to preserving the status quo of the CAP. At least during the 1970s and early 1980s there was no serious reform discourse in DG VI. British official Michael Franklin observed that when he was at the Commission in the mid-1970s ‘reform was a dirty word’.[22] Most of the commissioners in charge of agriculture had been ministers of agriculture in their home countries before joining the Commission. Pierre Lardinois, commissioner for agriculture from 1973 to 1977 is a case in point. As a former Dutch minister of agriculture, when becoming commissioner he was respected by the other ministers as one of their peers. Given that Lardinois had been socialized into the way of negotiating in the Council, he understood the constraints and pressures his peers were under. It was unlikely that he would pursue a reform agenda.[23]

The close relationship between DG VI and agricultural lobbies has to be an important element for understanding the organization’s attitude towards CAP reform, but it cannot be discussed here in any detail.[24] Given the support the CAP enjoyed in the Commission, it would be too simplistic to oppose DG VI and its pro-farm stance to the rest of the Commission in favor of reform. Even though there were misgivings about the centrality of the CAP among staff of other directorates-generals and commissioners, most shared the belief that European integration was most tangible and concrete in the CAP. The Commission generally shared the aim of preserving the CAP also for cultural and social reasons, as it allowed support for farming families in line with culturally embedded ideas of farming as a way of life and as benefitting society more generally.[25] Still in the mid-1980s, the president of the Commission, Jacques Delors, held on to the idea that farmers were strong supporters of European integration because of the CAP. For him this was a strong argument for upholding the policy and distributing funds to farmers.[26]

The college of commissioners had regular and often controversial discussions about the CAP. Even if there was criticism of the CAP by individual Commission members, the Commission was never able to agree on a coherent reform program for the CAP that went beyond doctoring the symptoms of the policy. At occasions such as the drafting of studies or reform memoranda such as ‘Stocktaking of the CAP’ (1975), some Commissioners took this opportunity to enter into serious discussions on the future of the policy.[27] However, for others, these memoranda should merely justify the policy and its role in the European integration process. According to a document from the cabinet of Commission president François-Xavier Ortoli (1973-6), the purpose of the Stocktaking memorandum should be to justify the core principles and instruments of the CAP. The CAP had to remain what French minister of agriculture, Jacques Chirac, called the ‘donjon’, that is the ‘keep’ of the castle of Europe – ‘a policy … that indirectly obliges the member states not to delay seeking community solutions in other sectors such as currency, food aid, the environment…’[28]

This quote underscores how in the 1970s the CAP was still seen as an engine of European integration that would lead to further integration in other sectors, still suggesting a belief in the neofunctionalist ‘spill-over’ theory.[29] Not surprisingly, in the Stocktaking memorandum, the Commission first and foremost insisted on the ‘central position the common agricultural policy occupies in the process of European integration’.[30] The Council of Ministers, lacking any appetite for CAP reform, was content to accept the memorandum with its limited suggestions for altering or ‘improving’ the policy.[31]

In the 1970s, the future role of the Commission in the Community appeared to be uncertain. New leaders such as German chancellor Helmut Schmidt and French president Valéry Giscard d’Estaing resented the supranational element of the

Community and preferred to deal with other national leaders directly, in what eventually became the European Council.[32] According to Henri Froment-Meurice, a French diplomat, ‘in 1974-1975, [Giscard] was inclined to swallow up the Commission’ and turn it into an administration merely executing the decisions of the Council of Ministers.[33] Given that the CAP was one of the few policies the French approved of, CAP reform would have been a foolish thing for the Commission to undertake.

This also explains why, in 1977, the new president of the Commission, Roy Jenkins (1977-81), did not identify CAP reform as a major project for his presidency but chose monetary union instead.[34] His cabinet member in charge of agriculture left him in no doubt that CAP reform was a hot potato: ‘In order to avoid wrong-footing oneself from the start it is prudent to talk in terms of “improvement” development” “adaptation” or “dynamic change” of the CAP.’[35] As a British national, Jenkins must have realized that CAP reform was not something that would gain him friends and allies among the (continental) member states. However, small steps were made in the Jenkins period with the Commission pursuing a more rigorous price policy.[36] Agricultural commissioner Finn Olaf Gundelach, incidentally not a former minister of agriculture, and DG VI were ready to change and fine-tune the policy, but recoiled from proposing large-scale reform.[37] Obtaining support within the Commission, in particular from French, Dutch and Irish commissioners, let alone the Council of Ministers, would also have been more than uncertain.

The idea of CAP reform only gained ground – albeit very slowly - with the involvement of a new actor in Community policy-making, the European Council, and the deep budget crisis triggered by rocketing CAP spending in the early 1980s.[38] Arguably the heads of state and government’s broader view allowed overcoming, or at least counterbalancing, the agricultural ministers’ decision-making guided by sectoral interests. Even then, the process of policy-change was slow and fiercely resisted by some member states, particularly France and Germany. A first mini-reform, the introductions of milk quotas in 1984, only came after lengthy discussions and after high compensations were decided to cushion income losses of farmers.[39]

The United Kingdom and the CAP

One event that could have shaken up the CAP consensus in the Community and led to a reform of the policy was the accession of the United Kingdom, Denmark and Ireland to the EC in 1973. While Denmark and Ireland would become net beneficiaries of the policy, Britain has had a difficult relationship with the CAP going back to the country's first attempt to join the Community in the early 1960s. For the UK the CAP was problematic for four reasons: firstly, because of the CAP's likely effect on Britain's traditional Commonwealth trading preferences; secondly, because the UK would have to change its entire support system for the agricultural sector from direct income support to the CAP's price policy; thirdly, because the CAP, due to higher commodity prices, would result in an increase in food prices for British consumers and, last but not least, because the UK's status as an importer of food would mean that Britain would become a net contributor to the EEC budget. Whilst in the first round of accession negotiations in 1961-3 agriculture became indeed the most difficult item, by then the British government had actually accepted the first two consequences of membership for domestic aims: CAP protection would allow the UK to develop its own agricultural sector rather than continue to be the 'dumping ground' for Commonwealth agricultural surpluses - though it was not acceptable to say this publicly and the UK continued to play the Commonwealth card in the accession negotiation and the renegotiations in 1974-5. It was also found that most UK farmers would not be worse off under the CAP than under the deficiency payments system (direct income aids), which had become very expensive to run.[40] It was the likely increase in food prices for consumers that most worried the Conservative government under prime minister Harold Macmillan and subsequent governments. The accession negotiations were ended unilaterally by French president Charles de Gaulle in January 1963, partly because he feared British membership would alter the CAP which was then still in the process of being fleshed out.[41]

In 1970 the Tory government under prime minister Edward Heath, a pro-European who had led the first round of entry negotiations in the 1960s, revived the British application to join the Community. With regard to agriculture the passage of time had seen a change in priorities: by the early 1970s the issue of the Commonwealth seemed even less important to the British public. Moreover, the British themselves started to question the sense of fighting for Commonwealth access for agricultural products given that their own production was on the rise, thus increasing the costs of their domestic agricultural policy. Only New Zealand dairy and Commonwealth sugar imports were still seen as high priority issues.[42] When Britain joined the EC in 1973, the CAP did not seem such a harmful thing at first. Moreover, by then the British government believed that it was better to accept the CAP and be ‘in’ and to change things from within. The CAP was indeed one of the policies it very much wanted to adapt when a member.[43] Why did the strategy of changing things once ‘we are in’ not work out? As this section will show, firstly, the UK government underestimated the centrality of the CAP for the Community. Secondly, the British government and in particular its agricultural minister, were not effective in forging coalitions in Brussels to obtain change, but preferred to cater to a domestic audience to which they complained about the unreasonableness of the CAP. Thirdly, both the UK government and the

Community tended to treat issues that were causing problems to the British and were linked to the CAP, for instance the British contribution to the EC budget, as specifically British problems, for which a UK-specific solution needed to be found, thus avoiding a general reform of the policy.

Immediately after joining, British civil servants and politicians were in for a reality check; the ‘way of doing things’ in Brussels clashed with British ideas how things ought to be done. The readiness of the Council of Ministers to accept and push for increases in farm prices was criticized, as well as the amount of time agriculture took up in the Commission’s meetings.[44] This would have to change, Britain’s commissioner in Brussels, Sir Christopher Soames, told prime minister Heath.[45] On the other hand, Heath’s Cabinet secretary and head of the European Unit in the Cabinet office, Sir John Hunt, suggested to Heath to adopt a more conciliatory and subtle strategy: ‘We shall need to work very hard to obtain support for our views and, above all, to avoid being in a minority of one.’ He mentioned the CAP and in particular keeping agricultural prices down as one field of action.[46] This was good advice that, it must be said, was later rarely heeded.

Once the UK was a member, a gradual CAP reform was indeed envisaged by UK government departments.[47] The French government had anticipated this and continued to call on the British to leave the CAP alone. In a summit meeting between Heath and French president Georges Pompidou, Pompidou insisted that Heath accept the CAP and support it. When Heath mentioned concerns from British consumers about rising butter prices, Pompidou retorted with the importance of preserving the countryside and its way of life. Small farming was important and, he added, ‘his concept of the CAP formed part of the French philosophy’.[48] Struggling to master each other’s languages, they also spoke a different language regarding agricultural policy.

Heath was moreover surprised that the Germans, in particular the governing Social Democrats, took a similar view to the French and he mentioned this in his meeting with French agricultural minister, Chirac, who had also come to remind the prime minister of the inviolability of the CAP.[49] Clearly, the British had underestimated the vested interests in the policy on the continent and within the Community institutions. Foreign office and Cabinet office documents suggest that the British ministers and civil servants were puzzled over the attachment to the policy, in particular in Germany. The Foreign Office was set on the case to solve this mystery, thereby discovering the German government's inconsistent attitude towards the CAP, which would mean that they 'are not reliable allies' for pushing CAP reform.[50] The strategy of 'join now and negotiate later' certainly did not work out as planned during Britain's first year of membership. For the time being, the British had no choice but to accept the CAP as 'a fact of life'.[51] While the Heath government seemed to have resigned itself to the CAP, the policy appeared to come under more serious threat when a Labour government under prime minister Harold Wilson took over following the election in February 1974. To overcome the split between pro- and anti-marketeers in the party, Labour had pledged to demand a substantial re-negotiation of the terms of British membership, including 'major changes in the Common Agricultural Policy' and 'new and fairer methods of financing the European Community budget'.[52] The crux was in the demand of 'major changes' and how flexible the British government and the Community would be about the issue. In fact, Wilson and his foreign secretary, James Callaghan, were quite flexible and merely wanted concessions from the Community that could be presented to Parliament and the British public as a 'success' in order to justify campaigning for remaining in the EC.[53] This means that it was possible for the other member states to obviate the potentially dangerous call for a ‘major’ CAP reform and seek a UK-specific solution instead.

However, the issue nevertheless caused a brief bout of activity in the Community as CAP critics used the UK government’s renegotiation demand to raise the issue of CAP reform. Discussing the British demands at an informal dinner in Paris in September 1974 with the other EC heads of state and government, German chancellor Schmidt proposed a fundamental review of the CAP.[54] Schmidt was anything but an ardent supporter of the policy or of supranational integration more generally. The British government thus potentially had an ally in their demands for change in the CAP. However, as discussed above, like all German governments, Schmidt and his coalition government also succumbed to the typical German ambiguity regarding the CAP: a general dislike for and open criticism of the policy went hand in hand with a support of the status quo.[55] Community bargaining as it had developed over the past fifteen years also meant that the policy could be used as a useful bargaining tool to gain concessions from the French.[56] Schmidt’s call for CAP reform at the Paris meeting can thus only be seen as rhetorical tool to show understanding for the British position and perhaps as an expression of the chancellor’s personal frustration with the CAP.[57] Schmidt’s demand resulted in the Commission undertaking the ‘Stocktaking exercise’, already mentioned above, resulting in a lengthy, albeit toothless, report on the CAP that was published in 1975. A half-hearted demand for radical change was thus delayed and channeled into a report that did not lead to much, let alone ‘major change’, in the policy as the political appetite for such a move was lacking and the British problem had by then been settled, at least in the short term.[58] Another mitigating factor that made the CAP appear as a lesser evil in the period 1974-5 was the world food crisis. A period of general food shortages, particularly of grains, had resulted in high world commodity prices. In contrast to the volatile situation on the world market, the CAP ensured comparably low commodity prices and reliable supply for consumers in the sheltered EC market. The world food crisis is discussed in more detail in the final part of the article, but it certainly also played a role in limiting the ambitions of the Wilson government regarding CAP reform, given that at this crucial point in time the CAP momentarily did anything but contribute to increasing consumer prices and fuelling inflation.

The concessions achieved by Wilson and Callaghan in the renegotiation were UK-specific and thus did not affect the CAP as a whole. They included an automatic correction mechanism for Britain's, or any other member state's, budget contribution (but only if a member state's GDP was 85% or less than the Community average and only up to a sum of 250 million Units of Account) and better access for New Zealand butter (but not cheese or lamb) until 1980.[59] The eight other member states and the Commission were not prepared to negotiate Community principles or indeed reopen the treaties and the UK government did not insist on this as the results were deemed sufficient for Wilson to campaign in favor of remaining in the EC in the referendum held on 5 June 1975, resulting in a public vote in favor of staying in the Community.

This was not the end of British opposition to the CAP, however. The CAP continued to frustrate the British government in two main respects: firstly, the policy meant that Britain threatened to end up, at the end of the transition period in 1979, as the second largest net payer to the Community budget after Germany. Secondly, the CAP had increased commodity prices for the British consumer and with inflation already rocketing, contributed to the general increase in prices. It was on those two domestically driven issues that the British government did battle in Brussels for the remainder of the 1970s and early 1980s. In the Council of Agricultural Ministers, Britain became the main opponent of the price rises the agricultural ministers adopted year on year in the annual price negotiations. In doing so, the British agricultural minister staged himself as the lone champion of consumers in Europe. The Labour government's agricultural minister, John Silkin (1976-9), was one of the anti-marketeers in prime minister Callaghan's government and a fierce critic of the CAP. He regularly condemned the wastefulness of the policy. 'We must produce food for people and not for stores', became his mantra when referring to the costly food surpluses accumulated in the Community storage facilities.[60] The minister also advocated CAP reform by which he meant a reduction in prices, possibly linked to a Community social policy to cushion the effect this would have on less efficient farmers.[61] However, such ideas were never substantiated in a serious and coherent reform proposal that had the potential to satisfy the other member states. When Britain was in the Council presidency in the first half of 1977, Silkin, in coalition with the Commission, indeed achieved to limit price rises to merely 3.5 percent on average, the lowest since the UK's accession. It was also then that the co-responsibility levy was introduced, a 1.5% levy on milk production over a fixed threshold and a first attempt to curb milk production.

Two years on, CAP reform had not progressed further and France, the Benelux countries and Germany were set on price increases whereas the UK had advocated a reduction in prices or at least a price freeze. Silkin was back in opposition mode. In a statement following a Council meeting of agricultural ministers in March 1979 he let off steam:

> 'I regard any increase in common prices as an act of cynical and contemptuous indifference to the interests not only of the United Kingdom, but also to the overwhelming majority of people throughout Europe. Confronted with the irrefutable evidence of waste and bad management in the common agricultural policy, it has become impossible any longer to ignore it.'[62]

This statement was first and foremost for the consumption of the British public at home and crucially the Labour party, where hostility to EC membership had become rife. However, it underscored two problems: first, unlike their continental counterparts, British farm ministers saw themselves more as champions of British consumers than British farmers. Secondly, the episode demonstrated the isolation Silkin was prepared to accept; he was not forging effective links with his partners in the Council, an 'epistemic community' in charge of most of the CAP decision-making and sharing common goals and interests.[63] Rather, in a difficult economic, social and political climate in the UK, Silkin wanted to be seen as protecting British consumer interests in Brussels. The CAP became a useful tool to stage domestic opposition to 'Brussels wastefulness' allegedly paid for by the British consumer. Given that the British farm sector was rather small, he did not risk opposition by farmers at home as did for example his French, Dutch or German counterparts.

In 1979 the transition period came to an end and Britain would have had to pay the full membership 'fee'. It fell to newly elected prime minister Margaret Thatcher to raise this issue in Brussels. The British budgetary question dominated the period between 1979 and 1984. Commission president Roy Jenkins' reaction to Thatcher's decision to turn the British budgetary question into a big issue was one of despair given the consequences for the Community and Britain's role in it: 'she caused a justified but limited dispute ... totally to dominate the Community for five years and to run into the sand any hopes of, or ambitions for, a British leadership role within the Community.'[64] This can also be said for CAP reform as Thatcher took the decision to pursue a limited solution for Britain, a return of budget contributions, rather than push for a Community solution to tackle the root of the issue: CAP spending.[65] She perhaps realistically judged that substantial CAP reform would be a slow and cumbersome undertaking with uncertain outcome so that a straightforward budget rebate appeared preferable. The Commission, in its proposal in late 1979 to solve the budget problem, tied the budget issue together with CAP reform and an increase in the regional and social funds intended to benefit the UK.[66] Thatcher rejected this idea, not least because she abhorred redistributive public policies such as the CAP or indeed a Community regional policy.[67] The other member states also had an interest in keeping the CAP and the issue of the British budget contribution separate to keep the CAP intact.[68]

Still, both sides used the CAP as a bargaining tool in the budget conflict when it suited them; Thatcher for instance when signalling her preparedness of 'precipitating a crisis' to force a solution and Giscard when pressing the British to agree to a market regime for sheepmeat in return for a solution of the budget issue.[69] In May 1980 British Foreign Secretary Lord Carrington obtained a three-year budget rebate holding the CAP to ransom, refusing to participate in the annual negotiations of agricultural prices until the budget issue was resolved.[70] Another attempt in May 1982 by the British government to tie agreement on the British budgetary question to the farm price deal failed. When matters came to a head at the meeting of the Council of Agricultural Ministers and the British delegation invoked the Luxembourg Compromise (i.e. that vital national interests were at stake) on a minor issue in the farm package to deliberately delay decision-making (the budget issue was not discussed by farm ministers but was a matter for the Foreign Ministers), the Council proceeded to a vote and the UK was simply outvoted. This threw a spanner into the British strategy of using the CAP to get concessions on the budget contribution.[71] It was also a symbolic drawing of battle lines: the Community will not let the CAP be held to ransom by the British government. Shortly after, on 25 May, a rebate of £500 million was agreed for 1982. In 1984 the issue was finally resolved at the European Council in Fontainebleau where

Thatcher won a permanent rebate of 66 per cent from Britain's budget contribution.[72] The way the Community and hence the CAP as its biggest budgetary item was financed had been the underlying cause of the British net contributor status – hence CAP reform and British budgetary contribution were linked. However, instead of pushing for a wider reform of the CAP, the British government and its partners in the Community decided to deal with the 'British problem', which was in fact a CAP problem, separately, thus keeping the policy intact.

The CAP as a Foreign Policy Issue: The GATT Tokyo Round

Agriculture was first included in GATT talks in the Kennedy Round (1964-7).[73] It was during this period that the Community constructed the bulk of its agricultural policy, including the variable import levy to protect its market from external competitors and cheap imports. The EEC at the time was not prepared to negotiate, and possibly weaken, its first common policy and the United States were not prepared to press them on the issue in order to safeguard European integration.[74] Given the for the United States disappointing results on agriculture in the Kennedy Round, agriculture was bound to resurface as a major issue in the next multilateral trade negotiations. Since the conclusion of the Kennedy Round, protectionism had been on the rise, also in the United States. To counter this trend, in 1971 the administration of U.S. president Richard Nixon (1969-74) took the initiative and proposed a new GATT round.[75]

While the EC was reluctant to engage in another round of multilateral trade negotiations so soon after the end of the Kennedy Round, it agreed as a gesture of goodwill towards the United States. The U.S. government had viewed recent developments in the Community with concern. Specifically regarding agriculture, the completion of the CAP, the increase in self-sufficiency and agricultural exports and the extension of the CAP to the new member states after enlargement, resulting in reduced opportunities for U.S. exports to the EC, were an important motive for the Nixon administration to bring the EC to the negotiation table.[76] In the early 1970s, U.S. politicians and political think tanks held an, in retrospect, exaggerated expectation of the future development of the Community into a power shaping the world's economic and political developments.[77]

For the United States the new GATT round was to be a renewed and vigorous attempt to liberalize trade in agriculture and bring it more fully under GATT rules. Behind this attitude of the U.S. government was the fundamental difference with which it viewed the agricultural sector, namely as an expanding and efficient economic sector contributing substantially towards the country's external trade balance. When the Tokyo Round was launched in 1973 the U.S. were in the middle of an economic and financial recession. They 'no longer had the means or the desire to offer concessions to its main partners without some sort of quid pro quo'.[78] Agriculture contributed $5.6 bn to the U.S. trade balance in 1973. The U.S. had a trade surplus with the EC of $2.7bn and Japan of $2.2 bn in agricultural products.[79] Officials in the Department of Agriculture were particularly set on attacking the CAP and opening up the European market further, as this corresponded to the wishes of large farmers and agri-business in the United States. In August 1973 U.S. secretary of agriculture, Earl L. Butz, reminded the secretary of the treasury, George Shultz, of the 'primary emphasis [that should be given in the GATT negotiations] to the reduction of the level of border protection' as well as 'substantial reductions' in 'export aids'.[80] This targeted primarily the Community's variable-levy system as a barrier to imports, but also export subsidies. The U.S. negotiation strategy was to tie industry and agriculture together to ensure that progress in agricultural negotiations was substantial and meaningful in trade terms and to achieve an increasingly greater market orientation for agriculture.[81] In short, they planned an onslaught on the CAP. This section outlines why the United States were not more successful in their mission to alter the CAP and liberalize trade in agricultural products.

Substance and Procedure

Attitudes of the various participants towards the GATT negotiations were an indication of their attitudes towards, and their attempts to cope with, a globalizing economy.[82] The launch of the round in Tokyo, Japan, was symbolic of that transformation of the global economic order and reshuffle of its key players: Japan, together with the Newly Industrialized Countries of East Asia, represented an emerging global industrial regional power threatening to upstage the EC and the United States.[83]

Against this backdrop, the Community's stance in the agricultural chapter of the negotiations was revealing. The EC regarded the agricultural sector as different from other economic sectors due to the volatility of agricultural production, which was subject to changing weather conditions and other unpredictable factors. It therefore warranted special protection. From the outset, the Community was therefore unlikely to agree to alter or even dismantle the CAP in return for concessions in trade for industrial products; especially as the Community itself was internally divided over the extent such concessions were desirable in the face of an increasingly challenging domestic economic situation. In this period of crisis and transformation, maintaining the CAP as a fully-fledged Community policy and expressing Community values became increasingly important as the turbulent 1970s wore on.

The Community also had to grapple with member states' divergent interests and stakes in the GATT Tokyo Round. Some, like Germany, were seemingly prepared to make concessions in agriculture to secure a substantial deal for trade in industrial products; however, in reality even for the Germans, as willing as they were to pursue trade liberalization for industrial products, making concessions in agriculture would have been resisted by the German farmers' lobby, the Deutscher Bauernverband. Britain, on the other hand, had little interest in preserving the CAP but became more protectionist regarding free trade in industrial products as the economic crisis in the UK deepened in the course of the 1970s. Finally, the French were opposed to any changes in the CAP and were also reluctant to embrace a far-reaching deal on lowering trade barriers for industrial goods. 'All in all, the differing interests of EC members meant that gaining concessions for third countries would be difficult.'[84] Not least, it was the United States that had a trade surplus with the EC in agricultural products and was in the position of *demandeur*. The incentive of the Community to increase its trade deficit further and buy even more U.S. farm produce at the expense of its own agricultural sector was thus very limited, to say the least.

The Community's attitude towards the negotiations also has to be understood against the background of the state of the Community and the deteriorating transatlantic relations. As mentioned, major new policies such as EMU, did not get off the ground in the early 1970s. Work in the Council of Ministers was cumbersome and slow. In 1974, the president of the Commission, Ortoli, usually a pragmatic man, deplored that 'Europe itself is in a state of crisis – a crisis of confidence, of will, and of clarity of purpose … it shows up just how badly it needs to be united.'[85] In this climate of crisis, the CAP still embodied the success of European integration - in spite of the disagreements over the policy. To this internal crisis of European integration came the uncertainty over transatlantic relations, epitomized by Nixon's national security adviser and secretary of state, Henry Kissinger's misjudged 'Year of Europe' speech in 1973.[86] The uncertainty over the state and future of transatlantic relations led some EC member states, in particular France, to 'rediscover' the Community and the advantages of acting through it. The ability to use the CAP in the GATT negotiations to counter U.S. demands and to underscore European unity explain to some extent the Community stance on agriculture in the Tokyo Round.

At the outset of the Tokyo Round, the Commission was keen to position the Community as a promoter of the continued liberalization of world trade in industrial goods and to play an important role in this drive.[87] When it came to agriculture, it was a different story and the Commission emphasized the special status of agriculture.[88] The Council then ring-fenced the CAP completely, insisting that the maintenance of agricultural support was non-negotiable for political, economic and social reasons. The principles and mechanisms of the CAP were therefore not up for negotiation. The Community's objectives for the GATT round were agreed in June 1973 in the 'Overall Approach'. For agriculture this envisaged an expansion of trade in agricultural products to be achieved through a stabilization of world markets through an improved exchange of information and a system of joint discipline by exporting nations and commodity agreements, but not an elimination of agricultural support systems and an outright liberalization of trade in agricultural products.[89] The Community's negotiation position was thus set in stone long before the start of the GATT negotiations in Geneva.

The first strategy the Community employed to counter the free trade aims of the American administration was to insist that the agriculture chapter was negotiated separately from trade in industrial products. While the Tokyo Declaration of September 1973 pledged to 'achieve the expansion and ever-greater liberalization of world trade', it contained the following caveat for agriculture: to include, 'as regards agriculture, an approach to negotiations which, while in line with the general objectives of the negotiations, should take account of the special characteristics and problems in this sector'.[90] For the Community this justified their approach of separating negotiations in agriculture from those in other sectors of the economy.[91] The demand caused upheaval in Washington and some predicted correctly that ‘the rules of the game determine its outcome. Procedure is substance.’[92] This was echoed in the Ministry of Agriculture where Butz warned that this ‘provides a convenient way to avoid negotiating on these products without jeopardizing the rest of the negotiations, but with great potential loss to the U.S.’.[93] The Americans had aimed for a different negotiating structure in which agriculture was negotiated on the same terms as industrial products, even linking progress in one area to progress in the other. However, the EC rigorously opposed this approach and by confining agriculture in one negotiation group, it became easier to oversee and control any concessions that were made on agriculture.[94]

The Community prevailed in the end even though the United States continued to contest the issue until the coming into office of president Jimmy Carter in early 1977. For instance, the Trade Act of December 1974 explicitly stated that: ‘to the maximum extent feasible, the harmonization, reduction, or elimination of agricultural trade barriers and distortions shall be undertaken in conjunction with harmonization, reduction, or elimination of industrial trade barriers and distortions.’[95] The US had no intention of giving in to the Community demand so easily as its negotiators would have had a hard time getting any deal accepted by Congress. The Community, on the other hand, had every interest to stick to its original position which had been adopted by all member states. The Commission feared that any reopening of this issue in the Council ‘will almost certainly lead to the French adopting an even tougher attitude […] and thus reduce our room for manoeuvre to a minimum’.[96] The question was who the Community would rather face, the Americans or the French? The Community opted for the former option to maintain the unity of the EC position.[97]

World Food Crisis

Due to a number of calamitous events in world commodity markets, prices for grains, one of the most traded commodities, surged by between 250 and 350 percent from mid-1972 to late 1974.[98] The hike in grain prices had an inflationary effect on world commodity price levels generally. The world food crisis, as it became known, had disastrous consequences for poor countries in particular, leading to famines, but also contributed to inflation and difficulties in agricultural markets in Western countries. The fact that the beginning of the GATT round coincided with the world food crisis was a fortunate coincidence for the Community. Record grain harvests in the EC in the early 1970s meant that during the world food crisis the EC managed to supply consumers at comparatively low prices and costs for the CAP also temporarily decreased.[99] The Commission optimistically interpreted the global food shortages as structural rather than seasonal or exceptional.[100] Against this backdrop, the aim of stabilizing markets by establishing a system of surveillance and information on market situations, international product agreements and common rules of 'concerted discipline' appealed much more than a liberalization of trade in agricultural products.[101] Under the impression of the world food crisis, the U.S. administration also placed more emphasis on the importance of market stability as a foreign policy aim. This eventually facilitated their acceptance of the EC's proposal to conclude commodity agreements. In an internal document in 1973 the U.S. representative to the EC had already suggested that commodity agreements would be a way to avoid a possible stalemate in the negotiations early on: 'The only prospect of getting ahead in agriculture is for us to indicate a willingness to consider the European approach and find out what the practical possibilities are.'[102] In April 1977 the new U.S. administration under president Carter decided to go along with the Community's proposal and agree to a product-by-product negotiation procedure instead of a multilateral trade deal for agricultural products.[103]

Negotiations and Results

U.S. negotiators, in particular secretary of agriculture, Clayton Yeutter, and special representative for trade negotiations, Frederick Dent, pursued a hard line in Geneva where the GATT negotiations took place. However, while the tone at the negotiation table might have been deliberately harsh to extract some concessions from the Europeans, in Washington there was still understanding for the EC's position and the centrality the CAP occupied in the Community. In reality, the expectations of the Americans to reach a substantial deal on agriculture cannot therefore have been very high. It was understood that the CAP was a sensitive issue, going as far as to admit that 'a frontal attack on the CAP would be folly'.[104] Even during the presidency of Gerald Ford (1974-6), allegedly more hardline on trade liberalization in agriculture, Dent assessed the Community's difficulties with acuity and suggested that the Trade round was an opportunity to make sure the EC remained engaged in world affairs rather than retreating in on its own difficulties.[105] The political and overall economic importance of the GATT Round as a means to prevent the EC from giving in to the temptations of protectionism were thus understood and would eventually lead to a compromise whereby the United States accepted the commodity arrangements the EC had pushed, provided sufficient progress was made in the areas of tariff reduction and reduction of non-tariff barriers in trade for industrial products. Before this happened however, the U.S. negotiators in Geneva, in concert with other nations interested in agricultural trade such as Canada, Australia and New Zealand were giving the Commission's negotiators a hard time, not least to placate their domestic audiences.[106] Crucially, there was a real threat that the U.S. Congress would not vote in favor of the negotiation result, if it did not contain enough trade advantages for both U.S. industrial and agricultural exports. The negotiations in the agriculture group ground to a halt in the summer of 1976, the year of the presidential elections in the United States.

When the Democrat Carter became president in early 1977, he was determined to bring the Tokyo Round to a successful conclusion. In order to achieve this, the U.S. administration decided to prioritize industry over agriculture and largely accept the EC's way of dealing with agriculture.[107] Carter announced this change of priority at the economic summit in London in May 1977. Arguably, the compromise on agriculture was less of a sacrifice for the United States, given that U.S. agriculture was already running a vast trade surplus with the EC, whereas other sectors of the economy were running a trade deficit and needed a boost through a GATT agreement on lowering tariffs and other barriers to trade. [108]

In July 1977 the agriculture negotiation group in Geneva finally agreed on the negotiation modalities for agriculture. Carters' new special trade representative, Robert Strauss, had agreed that agriculture could be negotiated separately from industry 'in parallel' and that the Americans would not demand changes to the CAP in return for concessions in individual agricultural products.[109] This resulted in the 'item by item approach' and vexed exporting nations such as Australia who had been looking for a multilateral solution.[110] Instead, the U.S. requested specific concessions on exports of its agricultural products to the Community. The EC in return asked for better access for its dairy products. On 22 December 1978 the Commission and the United States published a joint declaration regarding the multilateral trade negotiations, indicating that the main elements of a deal were on the table as far as they were concerned. Regarding agriculture, they envisaged four international commodity agreements (beef, dairy and two for cereals), agreements on non-tariff measures as well as bilateral concessions for certain agricultural products.[111]

The Tokyo Round ended on 19 April 1979 and resulted in tariff cuts of 35 percent on average for industrial products.[112] In agriculture, the Community largely achieved the objectives it had set out in the 'Overall Approach'. The final agreement contained two new international agreements, one on beef and one on dairy products. The US obtained concessions for its farm exports to the EC amounting to about $168 million while the EC obtained concessions valued at $106 million.[113] But none of the results put the CAP into question.

The Tokyo Round had been the first serious attempt to bring agriculture under more general GATT rules. This aim was not achieved, largely due to the resistance of the EC and other countries with protectionist agricultural policies such as Japan. The Community considered the fact that agriculture was granted a special status and was negotiated separately from industrial products as a success and a confirmation of the CAP system and the special status of agriculture in the economy and the world trading system. Neomercantilism in the shape of stabilizing and sharing markets survived in the agricultural sector, not least due to the depressing economic situation under which the negotiations were conducted and concluded. What does this 'victory' mean? During the 1970s, the economic and monetary difficulties and the pressures on the political institutions of the Community and the member states meant that the EC negotiated in the Tokyo Round in an inward-looking manner. The fact that the member states were able to agree on common positions was, in this phase, already a success. The Community had to accommodate a wide range of member state interests, drawn even more apart by the global challenges member states were facing and responding to. The United Kingdom, France and Italy had been reluctant to embrace free trade, while the German and Dutch governments consistently argued in favor of it.[114] It is likely that a hardline position on agriculture was the compromise needed in return for the French government to agree to more tariff reductions for industrial products.[115]

The Community's strategy had been to press ahead with defining very narrow negotiation aims for agriculture early on in the negotiations and present its negotiation partners with a *fait accompli*. The world food crisis helped firm up the Community's negotiation stance in 1974/5. However, when the crisis subsided, the Community did not reassess its aims for the agriculture chapter in the GATT. With an already difficult domestic political situation to deal with, there was no appetite among member states to risk division in its ranks and open up a new front of protests by farmers. Such constraints worked in the Community's favor. The complexity of Community decision-making means that the Community was able to pursue a strategy of 'tied hands', unable to make concessions. Ultimately it can be said that at the outset of the 1970s the United States had held an exaggerated idea of the EC as a global political and trading power and they subsequently had to scale down their expectations of how far the EC would share international responsibilities and become a partner in trade liberalization.

Conclusion

The CAP in the 1970s and early 1980s occupied what could be called a 'reluctant centrality' in the Community due to its status as a fully developed common policy that included aspects of social, economic and foreign policy. In an era shaken by political uncertainty and global economic and monetary turbulences, the CAP as one of the few fully developed common policies of the Community became a symbol for the unity of the EC. As a response to the Community's 'crisis of identity and purpose' in the 1970s, the CAP and its preservation became essential. Giving up the CAP or starting a debate on the future of the policy would have led to a situation in which the survival of the Community might have been at stake. France, in particular, might have walked away from the Community or at least presented this as a credible option in case the CAP was threatened. The emergence of summitry in the 1970s was another new factor in international relations, which threatened to divide rather than unite the Community. Small member states were not invited to the meetings of the G7 whereas the large member states met with the United States, Canada and Japan to strike deals of their own, not necessarily in the name of the Community. The strong presence of the Community in the GATT therefore preserved one element of the Community's unity as a global actor. This, as well as the entrenched policy-making rituals and an epistemic community in the Council of Ministers and the Commission which defended the centrality and importance of the policy ensured the CAP remained 'path dependent' throughout the 1970s and early 1980s.

Rather than presenting a shock to the Community, the British government adapted gradually and reluctantly to the CAP and the way of doing business in the Community. The article has argued that UK accession did not result in CAP reform as the British government underestimated the centrality of the CAP for the Community. British politicians were also unable and often unwilling to 'play the Brussels game' and forge coalitions with their continental counterparts. They also lacked reliable allies: whilst the German government under chancellor Schmidt should have been a natural ally for CAP reform, Schmidt time and again failed to confront his agricultural minister and the German farm lobby. Furthermore, the problems Britain had with the CAP were singled out and treated as particularly 'British' problems to maintain the integrity of the CAP, such as the renegotiation of the terms of entry in 1974/5 or the British budget contribution. It was only when the member states agreed to new substantial initiatives such as the Single Market Programme in the mid-1980s that the CAP somewhat lost its centrality in European integration. The new Community actor, the European Council, while not exactly a firebrand of reform, was forced to consider the CAP and its problems in the wider context of Community policies and priorities. Together with a more reform-oriented Commission, these developments facilitated incremental reform and a challenge to the CAP's centrality, rather than a single 'shock' event.

12,301 words

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