FRANCE'S ROLE IN CAP: THE GATT NEGOTIATIONS*

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France is a key State in the European Community (EC) and a big competitor for U.S. agricultural exports, in particular in grains. France had much to gain from the Common Agricultural Policy (CAP) and has always promoted it strongly in Brussels. The classical approach of policy in France has been to maintain and possibly strengthen the principles of CAP. Protectionist policies and massive intervention of the State in agriculture sector had been the rule since the late 19th century.

CAP and the Uruguay Round of the General Agreement on Tariffs and Trade (GATT) negotiations are intertwined. The influence of France in shaping the CAP has been very strong. However, CAP, the basis of the French deal with Germany, is under attack. The Community is faced again with another budget crisis and the stockpiles of butter, milk, beef, wheat and sugar grow again. The old French-German coalition is weakened by different alliances on different themes. This might diminish France’s influence over the EC. On the other hand, France’s opposition to reduce export subsidies contributed to the breakdown of GATT in December.

An exploratory study was conducted in France during September-October, 1990 in a period of intense crisis and confrontation between the French Government and the farmers during the peak of deadlock on GATT negotiations.
Background of Events

The visit to France occurred in a period of farm crisis and intense confrontation between the farmers and the Government. During September-October, 1990, the French farmers staged violent protests over depressed market prices, in particular for beef imports from EC member states. Severe drought and the German unification worsened the situation and exerted more downward pressures on prices as East German farmers started slaughtering beef and dairy cattle to adjust to the milk quota of the CAP. The worsening of farmers relations occurred at the same time that the EC was struggling to come to an agreement on farm subsidies in the multilateral trade negotiations under the GATT. The French Government intervened with an aid package for its farmers. But the real problem is the struggle of the French agriculture to cope with the challenge of the EC market, in particular the Dutch, British, Irish, and German.

Methodology

The exploratory study included: Preliminary groundwork for the study in France collecting materials, refining the research, and visiting the Institut National de la Recherche Agronomique INRA in Paris and Ivry-sur-Seine.

The methodology consisted of interviewing key agricultural policy makers representing diverse levels of responsibility and expertise in France agricultural policymaking:

1. **Elite groups** or top executives who are directly involved in the policy process: government officials at the Ministry of Agriculture and Commissariat Général du Plan; farm
organizations including the Directeur Général de la Fédération Nationale des Syndicats d’Exploitants Agricoles (FNSEA); Directeur de la Confédération Nationale de la Mutualité, de la Coopération et du Crédit Agricole (CNMCCA); Président de l’Assemblée Permanente des Chambres d’Agriculture (APCA); Président du Centre National des Jeunes Agriculteurs (CNJA); and the Porte-Parole de la Confédération Paysanne; and commodities organizations including the Secrétaire de l’Association Générale des Producteurs du Blé et autres céréales (AGPB); Conseiller du AGPB; Directeur-Adjoint du ONILAIT; and Directeur du UNCEIA/FNB (Fédération Nationale Bovine).

2. Agricultural experts at INRA; Chargé de Recherches à la Fondation Nationale; and Professeur au Centre d’Etude de la Vie Politique Française/Centre National de la Recherche Scientifique (CNRS).

Two types of interviews were used. The "closed questions" were standard for all respondents. The second type of interview was the semi-structured interview which was best suited for studying the fluidity and complexity of the French policymaking process. The questions were not specified and worded in advance, nor questions asked in a specific order. The interview was approached as a conversation, allowing the respondent to tell his story, to stress his own definition of the situation. It was intended to probe the respondent’s deepest and most subjective feelings and allowed the introduction of what the individual saw most relevant instead of relying on the investigator own interpretation.

Data collection also included documents such as Government statistics, Graph Agri (AGRESTE) and elite publications including Agra Europe, The Economist, Le Figaro, the Financial Times, and Le Monde.
SHARE OF AGRICULTURAL PRODUCTION IN THE E.C. 1987

TABLE 1

SOURCE: EUROSTAT
TABLE 2

WORLD EXPORT OF FOOD AND AGRICULTURAL PRODUCTS

<table>
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<tr>
<th></th>
<th>1967</th>
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PERCENT

SOURCE: GATT
TABLE 3

FRANCE'S SHARE AND RANK OF EEC AGRICULTURAL PRODUCTION IN 1987 - EEC 11

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<td>PORK</td>
<td>2</td>
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SOURCE: EUROSTAT
French Agricultural Characteristics

France is the largest agricultural producer in the EC with agricultural production reaching 23 percent of the EC total agricultural production (Table 1). In 1989, French food and agricultural exports were valued at 183,494 billion of francs (approximately $36 billion) compared to $39 billion for the U.S., making of France the second biggest exporter after the U.S. (AGRESTE, Graph Agri, 1990; Table 2). French agriculture is immense and diverse. France ranks in the first position for exporting beef cattle, poultry, cheese and wine, in second position for grains and sugar, and in third position for beef meat, milk and butter (Table 3). In 1989, the trade surplus of food and agricultural exports reached 50,9 billion of francs. Such surplus plays an important role in the fragile French trade balance and compensate for the large deficit in energy and industrial products.

French Agricultural Policy Issues

Agricultural policy issues of importance include:

1. Social preoccupations: necessity to increase farmers' income, and fight "desertification" or the farm exodus;

2. the structure of French farming: orientation toward big size farms and progressive elimination of the small ones;

3. expanding farm exports: strengthening international competitiveness and increasing efficiency.

4. promoting the relative weakness of the food processing, manufacturing and distribution industries;
5. increasing importance of the environment;

6. difficulty to develop a coherent farm policy as the national system is supplanted by the EC, and

7. necessity to reform CAP including control of surpluses and progressive decrease of prices, and

8. importance and difficulty of GATT negotiations for the French agricultural sector.

France's role in CAP

France has been a long standing member of the EC and has always supported CAP. Historically, there has been an understanding between Germany and France concerning CAP. When the CAP was created, France a leading food exporter was able to persuade Germany to be a banker (paymaster) to the farm sector. Germany accepted the situation as a price of her industrial advantage in the EC (particularly in France) and of a necessary political-economic balance with France. What happened is the following:

1. Germany wanted high internal prices, in particular for cereals, sugar and animal products, to support the small but politically powerful farmers of Bavaria.

2. France in compensation (for the loss of the EC internal market) demanded export subsidies to compete on the international market.

As a result, Germany favored a high level of price support. The French did not mind it, on the contrary they were getting richer. The French-German coalition was behind the creation of the basic mechanisms of CAP: price support, export subsidies and variable levies. On the other hand, the ultimate objectives of CAP are to increase farm production, ensure
a fair standard of income for farmers, stabilize markets, and maintain reasonable prices for consumers. Thus, the EC agricultural policies are fundamentally social in that their primary objective is to raise farm income. Therefore, such policies dramatically oppose economic forces.

However, CAP's mechanisms of support has resulted in chronic surpluses which, in turn, has required more support creating a vicious circle and more disequilibrium. EC spending is sharply rising (from $19 billion in 1985 to $32 billion in 1990), absorbing more than 64 percent of the EC budget. The Community appears powerless, unable to control farm production and the resulting chronic surpluses. Today, the EC is faced more than ever with a new budget crisis as agricultural spending will attain a record of 32.5 billion ECU ($38 billion) almost 5 billion ECU more than in 1990. More dramatic is the stockpiles of butter, milk powder, beef, wheat and sugar.

It is probable that the budget crisis, added to external pressures, will be very important to force changes in the EC agricultural policy. In late January 1991, the EC Commission proposed "Reflections Paper" to reform CAP. Major advantage of the plan was to cut price support, reduce production quotas, direct income aid to farmers, increase land set-asides, and protect the environment through extensification. New support mechanisms were introduced such as aids on a per hectare basis. Agricultural Commissioner McSharry was very anxious to separate the reform package from the ongoing GATT negotiations for two reasons: (1) the pressures for reforming CAP are budgetary, economic and political. (2) McSharry wanted to avoid the impression that the Commission gave up to American pressures for reforms.
The Commission’s proposal was strongly criticized by the UK, the Netherlands and Denmark for discriminating against larger and more efficient farmers: large farms would receive less direct income and face more restrictions in the land set-aside conditions. However, the final decision concerning the proposal depended, as expected, on the attitude of both French and German ministers of agriculture. Both were in dilemma. Germany has always supported the small farmers because of their electoral power; and it was expected that the German minister would endorse Mac Sharry’s plan. But the influx of the gigantic eastern farmers shifted the attention from the small Bavarian farm. As result, Germany opposed the plan, backed by the powerful farmers’ organizations, the DBV. The DBV was very hostile to Mac Sharry’s plan for discriminating against the big farmers. France, as a big exporter of cereals, opposed the idea of aids on a per hectare basis. French Minister of Agriculture, Louis Mermaz, sided with the UK in condemning the move toward the discrimination against larger farmers. However, France has also a big number of small farmers who will benefit from the proposals. The Council of Agricultural Ministers met on February 4, 1991 to discuss the proposal but refused to endorse it. Instead, the Council asked the Commissioner of Agriculture to shift the focus to the annual price review.

France’s Role in GATT

The Uruguay Round launched at Punta del Este, is the eighth Round of GATT negotiations and the most ambitious and complex round ever taken by GATT. Why? because it aims to set liberal new rules in 15 broad areas of trade, including farming, patents, financial services, telecommunications and textiles. Unlike in other rounds, the
developing countries and smaller industrialized nations have played an important role. The Uruguay Round is the first to confront directly the problem of *agricultural protectionism* stemming from domestic farm policies and to establish a market-oriented system. For the first time agriculture was number one on the agenda. The sector was originally excluded, largely, at the insistence of the United States. In the Uruguay Round both the EC and the U.S. have had to come with proposals to reduce farm subsidies.

**What are these Proposals?**

a. The major U.S. agricultural objectives are to reduce (not to abolish) domestic subsidies and boarder measures with trade distortions effects. The U.S., backed by the 13 Cairns Group (including Australia, New Zealand, Canada, Argentina, Uruguay, Brazil, Thailand, Hungary, Chile, Colombia, Indonesia, Malaysia and the Philippines) proposes a cut of 90 percent in export subsidies over ten years and 75 percent in other farm supports, such as internal supports.

b. The EC's Commission's original proposal focuses on four aspects:

1. 30 percent cut in overall farm supports over ten years starting in 1986.
2. *Re-balancing* or introduction of import quotas for feedstuffs and oilseeds.
3. Reduction of import barriers in line with the dismantling of internal support.
4. Unclear statements concerning export subsidies.
Concerning 1) the EC proposes *less protection not free trade* that is based on the *Aggregate Measure of Support (AMS)*. The idea is that this measure will capture all different forms of subsidies and benefits in a single measure, to agree on targets for how this measure should be reduced, leaving to government to decide which measures to cut and by how much.

Concerning 2) it is on this issue that the two trading partners disagree. The EC wants simply to introduce new import restrictions on oilseeds and feedstuffs. France is for re-balancing to protect her fast growing oilseeds production.

Concerning 3) the EC is not eager to convert its import barriers into fixed tariffs as proposed by the U.S. with *tariffication*. As I mentioned earlier, the EC import barriers consist mainly of *variable levies*. These import duties are to be converted into tariffs which are then to be substantially reduced by 1995/96. France, in particular saw the Community’s system in jeopardy, and prevented the Commission from fixing the percentage of reduction.

Concerning 4) the EC’s proposal is ambiguous. The Commission refused to make specific commitments for reducing *export subsidies*. France is very aggressive in defending export subsidies as a means to compete on the international market, and to protect her cereal export.

The negotiations were dominated by a bitter conflict between the EC on one side and the U.S., Canada, Argentina and other nations on the other side. The Community was reluctant to commit itself to a definite reduction of export subsidies. The Europeans, who were accused to pay the most generous farms subsidies, said that the opposing side was
asking for cuts that are not *politically feasible*. The French, in particular resisted big reductions in farm subsidies (France has plenty of small farmers). The Uruguay Round broke off in disarray on December 7, 1990. The U.S. and the EC were deadlocked over the issues of farm subsidies.

The Uruguay Round of the GATT negotiations resumed on Wednesday February 27, 1991. The EC position remains exactly the same. However a positive gesture was made to bring back the Americans to the Geneva negotiating table and to allow the U.S. to extend the "fast track" legislation. The gesture consisted in putting into formal written terms the modest concessions offered by the Community last December. The main features of the proposal are: limited commitment on import access, the removal of oilseeds from the re-balancing proposal and vague commitment to the reduction of export subsidies.

It is well-known now that the negotiation will start only mid 1991. This timetable will give the EC time to decide: first if it serious about the GATT negotiation; second to make the necessary change in its CAP.

**Explaining the French Position**

The French consider the U.S. proposals as unfair and unbalanced attack on the various kinds of farm protection the CAP provides. According to the French interviewees the Americans are bluffing and using a tactic to dismantle CAP. The Americans are accused to set an aggressive tone. The French stress that the U.S. also provides an expensive system of farm support to farmers. the U.S. system of payments is a government budget support (soutien budgétaire) with burden on taxpayers; the EC farm payment is a
price support (soutien de prix) with burden on consumers. The French recognize, however, that the U.S. system of protection sounds more economic (the American consumer buys his food cheaper than do the European consumer). But politically, the U.S. is planning for a free market that puts more burden on Europe than on the U.S.

**What are the French constraints**

France operates under constraints stemming from her farm and organizational structure in agriculture as well as economic, political and social constraints. A large size of the country, around 31 million hectares or 57 percent of the total land, is available for farming. French agriculture possesses natural advantages (soil, climate) allowing for both northern and mediterranean crops, and structural advantages (size).

1. **Farm Structure**

France has nearly one million farms, most of them are still family farms. 85 percent of farming is carried out by family farms. France is a mix of medium and small farms, of rich and poor farmers. The average farm size is 27 hectares (1ha = 2.471 acres). This is small but it is double the European average of 14 ha. In the U.S., the average size is 160 ha, but in Japan it is still 1.2 ha. Cereal producers have large, modernized farms in the Paris Basin and the north of France; they have always received important farm subsidies from the government; they have the highest income in the Community. By contrast, farms in the south have: the greatest concentration of small livestock farmers in the Community; a farm structure which cannot be modernized; and the largest number of older farmers
(France has 800,000 farmers who are 50 years old), and of declining rural communities. Farmers in the south used to pressure the state for assistance, in particular with the continuous decline in livestock prices during the last decade.

2. Declining Rural Communities and Farm Income

The farm population is, however, rapidly decreasing. In 1988, there were about 3.2 million people employed in agriculture. Since some of the jobs are part-time, this corresponds to about 1.5 million full time jobs, or 7% of the working population (compared to 36% in 1950 and 20% in 1962).

The declining rural communities is accompanied with the decline of agricultural prosperity. Communes or districts in the south have big government financial problems. Farmers in the south have suffered the most from the steady decline in real farm incomes in all EC member states (except Spain and Portugal). It is only recently that France has started to introduce structural and environmental policies to help the rural areas.

This situation reflects the major agricultural problems faced by the EC: How to adjust the preservation of rural communities with the steady decline in agricultural commodity prices, how to adjust to the challenge of the EC internal market as agricultural support is adjusted to new EC and international realities.

3. Organizational Setting: Interplay among Actors at the National Level

The French agricultural policymaking is influenced by various actors with different interests, positions and power. The interviewees generally recognized that there is no
French agricultural policy, and that this policy is formulated in the EC and must comply with CAP. Nevertheless it emerged from the interviews that the farm organizations are very powerful as well as other commodity organizations. On the Government side the main actor is of course the Minister of Agriculture, backed by his Administration in rue de Varenne. Other powerful actors include the Minister of Finance and of Foreign Affairs and even the President.

The main actors involved in the French agricultural policy process are the farm organizations and the Government.

a. Farm organizations

1) The Four United Organizations:

Since 1960s, four main organizations represent and defend farmers' interests: the FNSEA, APCA, CNMCCA, and CNJA.

The Fédération Nationale des Syndicats d'Exploitants Agricoles, FNSEA is the most important farmers' union in France and has a substantial influence on domestic agricultural policies. The FNSEA wants to protect the farmers' interests and is clearly in favor of CAP and opposed to any cut in farm subsidies. Other leftist groups are denouncing the FNSEA for dropping the farm price support. Other interviewees accused the FNSEA of collaboration with the Government in pursuing a policy of modernizing farm which led to a massive reduction of farm population.

According to the interviewees, the existence of leftist farm groups have complicated the relationship with the French Socialist Government. Since 1980s, the Socialist
Government have tried to break the FNSEA's power as main representative of farmers' interests. In particular, the Minister of Agriculture Edith Cresson (today the French Prime Minster) tried, without success, "de mettre fin à la monopole de la FNSEA et du CNJA" (to end the monopoly of the FNSEA and the CNJA and to promote the leftist farm groups.

The FNSEA operates under constraints linked to its structure and the limitation of its power resulting from other actors' power and farm budget limitations. However, the French Government, in particular the Minister of Agriculture, is sensitive to the positions adopted by the FNSEA. In the Summer of 1990, French farmers, through their powerful farmers' union, FNSEA, conducted mass protests against the Minster of Agriculture, Henri Nallet, demanding that the Government speed the special payments to alleviate the effects of the summer's drought. They also wanted that the government to make grain available at subsidized prices, help push up beef prices and limit beef imports from East Germany. With regard to GATT negotiations, the FNSEA stressed that it is very difficult to reach an agreement because the divergences between the EC and the U.S. are too big.

The Centre National des Jeunes Agriculteurs, CNJA (National Center of Young Farmers) has close links with the FNSEA. The CNJA is encouraging big farm enterprises and "re-launching' cooperative farms.

The Assemblée Permanente des Chambres d'Agriculture, APCA (Permanent Assembly of Chambers of Agriculture) stress that the CAP should be reformed and that the French farm organizations should be flexible enough and accept reform.

The Confédération Nationale de la Mutualité, de la Coopération et du Crédit Agricoles, CNMCCA (Agricultural Insurance, Cooperation and Credit Confederation) is a combination
of three organizations. The most important is the Crédit Agricole, which plays a major role in farm borrowing and indebtedness.

2) Specialized Associations

The specialized associations for wheat, beef, milk, wine and so on are all members of the FNSEA and vary greatly in power. The *Association Générale des Producteurs du Blé et autres Céréales, AGPB* (General Association of Wheat Producers) is one of the oldest farm organization in France. As stressed in the interviews, the association has a major influence in the development of French and Community agricultural policies and has long favored high price policy. These producers have large, modernized farms in the Paris Basin and the north of France and have always received important government subsidies. Politicians listen to them because of their economic power due to the important contribution of the cereal exports in the fragile trade balance.

The *Fédération Nationale des Producteurs du Lait, FNPL* is a powerful federation of local dairy producers' union. Their power stems from their wide geographic distribution and the fact that many of them are FNSEA leaders. The FNPL's main goals is the defense of the farmers' interests although they believe that milk production should be controlled, but they need time to reach the level of efficiency and competitiveness of Northern Europe.

In addition, there are market support organizations of *organisations interprofessionnelles* such the regulatory boards for cereals, beef, and milk products (ONIC, ONILAIT). Quite remarkably, there are close links in the cereal sector in France between interest groups, semi-official regulatory agency, and the government.
b. The Government

The French Government is represented by the Minister of Agriculture, other ministers, and the President. The French Government strongly supports the agricultural sector, although the relationships between the Ministry of Agriculture and farm organizations are difficult and problematic. The interviewees, however, stressed that the French agriculture, or what is left, is influenced by the "profession agricole" which controls the budget. The market support organizations, which are affiliated to the FNSEA, control the intervention system and stocks of agriculture. Also the "conseil regionaux" (regional board of elected representatives) have the power of distributing direct payments to producers. Such payments are not controlled neither by Brussels nor by the French Government.

According to the interviewees, the Minister of Agriculture is the main actor in the agricultural policy process in France. As a politician, he must promote his political career. thus, the minister has to worry about the farm vote and defend farmers' interests. Since he has to defend the French agricultural position in the Council of Agricultural Ministers, the Minister of Agriculture is the main target for pressures and interventions from other political actors and pressure groups. However, the President will enter the process at times in case of agricultural policy reform. President François Mitterand, a socialist, enjoys a very powerful situation (the French constitution allows for a weak parliament and a strong president). He is the main actor and any French policy will, in the end, depend on him. The President is seen as a jealous defender of the European integration and of CAP.
In 1984, in spite of the FNSEA opposition, President Mitterand was in favor of the milk quota policy because such policy was "politically feasible," and in the best interest of the European integration. Because of the presidential interference, the then-Agriculture Minister, Michel Rocard, had to accept the milk quota.

During the September-October farm crisis in 1990, the role of the minister of Agriculture, Henri Nallet, was very ambiguous. He was accused of pursuing a policy of farm modernization which led to a massive reduction of rural communities. Because of the necessity to grant aid packages to farmers, Prime Minister Rocard and Finance Minister Bérégovoy entered the political game. In the end because of the severity of the situation, President Mitterand stepped into the process and reshuffled the Cabinet.

It appeared from the interviews that the farmers are disenchanted with the Government. Some interviewees criticized the government, in particular Minister Nallet for their inertia and indifference toward farming. In reality there is a paradox in the French Government attitude: On one hand and because of the budget constraints, there is a necessity for structural reforms; on the other hand, it is always difficult to cut back farm incomes for fear of ruining farmers, in particular young farmers who are encouraged to join the profession. Today, in the GATT negotiations on agriculture, the French Government is isolated by opposing farm subsidies cut. The French position is difficult to explain. France could, perhaps absorb a farm subsidy cut, but French tradition is that agricultural policies should always serve social purposes.
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