

**T.C.
MARMARA ÜNİVERSİTESİ
AVRUPA BİRLİĞİ ENSTİTÜSÜ
AB SİYASETİ VE ULUSLARARASI İLİŞKİLER ANABİLİM DALI**

**NEGOTIATIONS IN TRADE IN AGRICULTURE:
A COMPARATIVE ANALYSIS OF THE EU AND TURKISH POSITIONS
IN WTO DOHA ROUND**

Yüksek Lisans Tezi

KAMBER GÜLER

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ONAY SAYFASI

Enstitümüz AB Siyaseti ve Uluslararası İlişkiler Anabilim Dalı Yüksek Lisans öğrencisi Kamber GÜLER'in "NEGOTIATIONS IN TRADE IN AGRICULTURE: A COMPARATIVE ANALYSIS OF THE EU AND TURKISH POSITIONS IN WTO DOHA ROUND" konulu tez çalışması 01.11.2011 tarihinde yapılan tez savunma sınavında aşağıda isimleri yazılı jüri üyeleri tarafından oybirliği / oyçokluğu ile başarılı / başarısız bulunmuştur.

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War is the Trade of Kings, . . .

*And better be a Lion, than a Sheep.**

John Dryden (1631–1700)

* See Dryden, 1717: 379.

ÖZET

Bu çalışma, Türkiye'nin DTÖ tarım müzakerelerinde AB uyumluluğu konusunda sergilemesi gereken tutumu irdelemeyi amaçlamaktadır. Bu bağlamda, AB ile sürdürülen açık uçlu üyelik müzakereleri ve olası bir AB üyeliği göz önünde bulundurularak Türkiye'nin DTÖ'deki konumuna açıklık getirmeye çalışılmıştır. Çalışmanın odak noktası, söz konusu tarım müzakerelerinde, ilkinde Türkiye'nin kendi çıkarları doğrultusunda hareket etmesi, ikincisinde ise doğru bir gözlemlenme ile AB'nin adım adım takip edilmesi şeklindedir. Varılan sonuç, Türkiye'nin bu iki hususu göz ardı etmeksizin kısıtlı bütçe, temel yapısal sorunlar, tarım sektöründeki yüksek istihdam oranı, kırsal kesimlerdeki nüfus yoğunluğu, sektörün rekabet gücünün olmaması ve tarımsal etkinliklerdeki düşük verimlilik gibi kendi ekonomik ve sosyal gerçeklerini de dikkate alarak gerekli tarım politikalarını izlemesi gerektiğidir. Bütün bunlar, AB ve Türkiye'nin içinde bulunduğu birbiriyle ilişkili iki üç-seviyeli oyun çerçevesinde değerlendirilmelidir.

ABSTRACT

This study aims to examine the attitude which Turkey should adopt in terms of the EU compatibility in the WTO agriculture negotiations. In this context, it is tried to clarify Turkey's position in the WTO by considering ongoing open-ended membership negotiations and a possible EU membership. The focal point of the study is that, in agriculture negotiations in question, Turkey should act in line with her own interests in the former, and the EU should be followed step by step with a correct observation in the latter. The conclusion is that Turkey should follow necessary agricultural policies without ignoring these two points, and also by considering her own economic and social realities such as the shoestring budget, fundamental structural problems, high proportion of the total employment in agriculture sector, overpopulation in rural areas, lack of competitive capacity of the sector and low productivity of the agricultural activities. All these should be assessed in the framework of two interrelated three-level games in which the EU and Turkey take place.

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ABBREVIATIONS

ACP	African, Caribbean and Pacific Countries
AMS	Aggregate Measurement of Support
AoA	Agreement on Agriculture
ASCM	Agreement on Subsidies and Countervailing Measures
BSE	Bovine Spongiform Encephalopathy
CAP	Common Agricultural Policy
CIS	Commonwealth of Independent States
COPA	Committee of Professional Agricultural Organizations
CU	Customs Union
ÇATAK	Environmentally Based Agricultural Land Protection Programme
DDA	Doha Development Agenda
DIS	Direct Income Support
DPT	State Planning Organization
EAFRD	European Agricultural Fund for Rural Development
EAGF	European Agricultural Guarantee Fund
EBK	Meat and Fish Authority
EC	European Community
EEC	European Economic Community
EP	European Parliament
EU	European Union
EU-15	European Union of 15 Member States
FEOGA	European Agricultural Guidance and Guarantee Fund
FRS	Farmer Registration System
G-10	Group of 10
G-20	Group of 20
G-21	Group of 21
G-33	Group of 33
G-90	Group of 90
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade

GDP	Gross Domestic Product
IMF	International Monetary Fund
LDCs	Least Developed Countries
MERCOSUR	Common Market of the Southern Cone
MFN	Most-Favoured-Nation
NAMA	Non-Agricultural Market Access
NFIDCs	Net Food-Importing Developing Countries
NTBs	Non-Tariff Barriers
OECD	Organisation for Economic Co-operation and Development
OTDS	Overall Trade-Distorting Domestic Support
RAMs	Recent New Members
SDT	Special and Differential Treatment
SEK	Dairy Industry Authority
SFP	Single Farm Payment
SSM	Special Safeguard Mechanism
STEs	State Trading Enterprises
SVEs	Small, Vulnerable Economies
TIM	Turkish Exporters Assembly
TKIB	Ministry of Agriculture and Rural Affairs
TOBB	The Union of Chambers and Commodity Exchanges of Turkey
TRIPS	Trade-Related Aspects of Intellectual Property Rights
TRQs	Tariff Rate Quotas
TVP	Total Value of Agricultural Production
TZOB	Union of Turkish Agricultural Chambers
UK	United Kingdom
UR	Uruguay Round
USA	United States of America
WB	World Bank
WTO	World Trade Organization

INTRODUCTION

Agriculture has always been a vital issue for both developed and developing countries due to its particular position in the lives of human beings. The importance of agriculture arises from some economic and social aspects of it. Feeding the populations, food security (especially in case of a war, famine or natural disaster), and its contribution to other sectors as well as employment and exportation are only some of these aspects of agriculture which make it different in the eyes of leading world actors, especially the World Trade Organization (WTO) or the European Union (EU) and the United States of America (USA) as Members of the WTO.

However, the noticeable importance of agriculture is not limited with only developed countries led by the USA and the EU. Both developing countries and least developed countries also place a particular importance on it, and they strive hard against the developed countries in order to avoid any possible harm on their own market. The WTO agriculture negotiations, which had a formal structure with the Uruguay Round's (UR) Agreement on Agriculture (AoA) entering into force with the establishment of the WTO on 1 January 1995, have made the struggle more possible for these developing countries and least developed countries. From then on, they have begun to demand some concessions in favour of their vulnerable domestic agriculture sector so as to maintain the negotiations and complete the rounds. Although main actors of the WTO negotiations initially ignored their demands, ongoing rounds have showed that these countries' needs and interests on agriculture should be taken into consideration in order to take considerable steps in the negotiations. Placing *development* at the centre of the Doha Round has arisen from such a consideration.

But inherently, the negotiation process among the Members is mostly formidable as part of a long-term relationship. Though there are different connotations of the negotiation term in different contexts, this study defines the term as a clash of interests when the Members cannot come to an agreement on related issues whereas it represents a harmony in diversity when the Members make a compromise on them. Besides,

Zartman (1987: 10) defines negotiation as nothing but a positive-sum exercise by saying that “by its very nature, it is not a process of winning and losing, so that success must be evaluated against the problem, not against the adversary”. Besides, in this study, the term of negotiation is discussed in the framework of Putnam’s two-level game model¹. Putnam (1988: 427) claims that both domestic politics and international relation determine each other. If the outcomes of international negotiations are acceptable to domestic constituencies, it is easier to find solutions at the international level (Putnam, 1988: 438). Similarly, Young (2010: 126) suggests that international trade negotiations are two-level games, with chiefs of government needing to reach an agreement with the chiefs of government of other countries which can also be ratified domestically.² In another saying, domestic politics and international negotiations intersect as politicians mostly try to satisfy both groups so as not to lose their own benefits. This study, which takes two-level game model as a theoretical basis, mainly argues that the EU and Turkey take place in two interrelated three-level games. At all levels of these games, the negotiations occur simultaneously, and the relations between the levels affect each other in an interactive way.

Through the negotiations, the WTO tries to establish a global trading system which is freer, predictable, more competitive, and does not contain any discrimination. However, the applicability of these principles on an equal level sometimes raises question marks in many minds, which makes the deadlocks in the negotiations inevitable. The sensitivity of the agriculture issue urges the Members to overcome the deadlocks by reaching a consensus, if not with a unanimity. Market access, domestic support and export subsidies, which make up three pillars of the negotiations, are the most discussed issues requiring the consensus of the Members. As it is not generally possible to agree on these pillars as individual Members, they incline to form various agriculture groups to defend their own interests in the negotiations.

At this point, Turkey faces critical turning points for its position in the WTO

¹ The metaphor of the *two-level game* is used for the relations at national level and at international level. For more information on the two-level game model, see Putnam, 1988.

² See also Moravcsik, 1991.

agriculture negotiations. Although Turkey takes side with the G-33, which is a coalition of the developing countries and some least developed countries pressing for flexibility for developing countries to undertake limited market opening in agriculture, the fact that she has to comply with the EU's Common Agricultural Policy (CAP) so as to be a full member of the EU forces Turkey to make difficult decisions on this challenging and everlasting process. This study aims to reveal what kind of an attitude Turkey should adopt in terms of the EU compatibility during the WTO agriculture negotiations. In the light of two interrelated three-level games, the study handles the issue by taking the costs and benefits of Turkey's EU compatibility into consideration. Considering the open-ended aspect of the negotiations for the EU membership, the study argues that Turkey should adopt an independent attitude from the EU on the issues of the negotiations which are compatible with her own interests. On the other hand, by foreseeing a possible EU membership, Turkey should follow the EU step by step on the issues of the negotiations on which both parties compromise. In addition to this, in the WTO agriculture negotiations, Turkey should carry out a successful agricultural policy not to lose the balance between consistencies and inconsistencies with the EU and other negotiation actors as well as the WTO as a whole. Lastly, such an agricultural policy should be determined by considering Turkey's own economic and social realities such as the shoestring budget, fundamental structural problems, high proportion of the total employment in agriculture sector, overpopulation in rural areas, lack of competitive capacity of the sector and low productivity of the agricultural activities.

In general framework, the author of this study has made use of various literature and sources to ground his arguments given above. These include both primary and secondary sources as well as some personal interviews. Unfortunately, there are some shortcomings of the study due to the difficulties of reaching primary persons from related national and international institutions. However, it may provide a good starting point for researchers to make more detailed and resourceful researches on the subject.

The study basically consists of five chapters. The first chapter starts with the conceptual and theoretical framework of negotiation. The term of negotiation is discussed, and types of negotiation are given with references to the literature. Next,

Putnam's two-level game model, which forms the theoretical framework of this study, is explained with its main points and some critics. As an introduction to the argument of the study, the EU and Turkey are clarified as players of two interrelated three-level games.

In the second chapter, the place of agriculture in world trade is given with statistical data, and the historical evolution of the WTO is described. Then, deadlocks in the WTO agriculture negotiations are explained by focusing on the importance of these negotiations and reasons of the debate. The pillars of the negotiations (i.e. market access, domestic support and export subsidies), which are seen as the main reason of the debate, are given with basic details. After introducing the evolution of the negotiations under Doha Round, the chapter is concluded by analyzing the positions of different groups on the pillars.

In the third chapter, the study provides an overview of the EU's CAP and the evolution of it. Later on, the chapter deals with the EU's position in three pillars of the negotiations, and specifies internal and external factors determining the Union's position in the pillars. It is followed by the impact of new Members on the EU's transformation, and by the EU's consistencies and inconsistencies with the WTO. At the end of the chapter, the impact of the WTO agriculture negotiations on the CAP is discussed by including diverse views of leading persons and institutions on the subject.

The fourth chapter is devoted to the discussion of Turkish agricultural policies. Firstly, the chapter presents a general evaluation of agricultural support policies of Turkey. Then, Turkey is assessed as a developing country in the WTO agriculture negotiations. This time, the study focuses on Turkey's position in three pillars of the negotiations, and gives details on internal and external factors determining Turkey's position in the negotiations. Lastly, the chapter emphasises Turkey's consistencies and inconsistencies with the WTO and the EU.

The final chapter is the most crucial chapter of the study. In this chapter, the EU and Turkey are given as two players of three-level games, and the levels of the games

are detailed in subheadings. Finally, the costs and benefits of Turkey's EU compatibility in the WTO agriculture negotiations are discussed by giving references to some considerable opinions which are products of independent thinking. In the light of Turkey's EU membership fact, the study tries to find reasonable answers for what kind of an attitude Turkey should adopt in terms of EU compatibility during the WTO agriculture negotiations. The chapter comes to a conclusion by considering both open-ended aspect of the negotiations for the EU membership and a possible early EU membership of Turkey.

CHAPTER I

CONCEPTUAL AND THEORITICAL FRAMEWORK

OF NEGOTIATION

1.1. The Concept of Negotiation

In its most basic definition, negotiation is an exchange of information through communication so as to reach an agreement.³ However, the process of negotiation is often more complex and challenging than such a simple definition. The complexity of the process arises from various variables included in it: negotiation parties, negotiators, content of the negotiation, negotiation tactics and strategies, the channels used for the negotiation and the balance of power between negotiation parties, etc.

Another definition of negotiation is given by Spoelstra and Pienaar as follows:

Negotiation is a process of interaction between parties directed at reaching some form of agreement that will hold and which is based upon common interests, with the purpose of resolving conflict, despite widely dividing differences. This is achieved through the establishment of common ground and the creation of alternatives. . . . common ground is not just what people have in common but what they could become together. (1996: 3)

The key words of the definition such as *parties*, *agreement*, *common interests*, *conflict* and *differences* are also mostly the ones included in this study. Still, negotiation is much more than them. The way of negotiation is as important as the negotiation itself, and the negotiators surely play a crucial role for the consequences of a negotiation. Therefore, the elements such as the negotiators' personality, motivation and perception are other aspects of a negotiation process. On the other hand, the fact that "the negotiators are made, not born" (Zartman and Berman, 1982: 16) should be kept in mind while evaluating a negotiation process.

³ The terms of negotiation and bargaining are often confused. Negotiation refers to the complete negotiating process whereas bargaining is an activity taking place within the negotiation.

1.1.1. Types of Negotiation

In the literature, negotiation is classified into types: integrative negotiation, distributive negotiation and destructive negotiation. The following brief descriptions of negotiation types are given by Spoelstra and Pienaar (1996: 8–10). Integrative negotiation is a ‘*win more–win more*’ model of negotiation, and parties try to gain more than they could through an alternative approach. Distributive negotiation is a ‘*win–lose*’ model of negotiation, and parties aim to win for themselves, regardless of what happens to the other side. As for destructive negotiation, it is a ‘*lose–lose*’ model of negotiation, and parties have the objective to inflict damage on the others while not caring about the damage inflicted on itself.

Additionally, Downs (2008: 1) suggests that “negotiation generally involves a five-step process: analysis, preparation, communication, proposal, and commitment”. Surely, each step requires specific skills and tactics against various obstacles in a negotiation. Negotiation tactics may vary according to the negotiation issues. They may be making an extreme first offer or threatening to walk away if concessions are not granted. Parties may occasionally use silence as an effective negotiation tactic. However, most tactics inherently involve some risks. Choosing an appropriate tactic is important so as to minimize the risks. The reactions of the negotiation parties also play a crucial role in the decision regarding which tactics to use. So, choosing appropriate tactics is part of the art and science of negotiation (Raiffa, 1982: 7).

1.2. Trade Negotiations as a Two-Level Game

During international trade negotiations, all countries strive to do their best for their own national interests. However, it is not possible to reach a durable agreement unless countries give anything in return. So, at this point, domestic politics may not tally with international relations, or they may probably influence each other. Putnam (1988: 427) suggests that both domestic politics and international relation sometimes determine each other, and he tries to find out an answer for the question of *when* and *how* such a relation comes out. By taking international negotiations into consideration, Putnam

describes a two-level game as follows:

The politics of many international negotiations can usefully be conceived as a two-level game. At the national level, domestic groups pursue their interests by pressuring the government to adopt favourable policies, and politicians seek power by constructing coalitions among those groups. At the international level, national governments seek to maximize their own ability to satisfy domestic pressures, while minimizing the adverse consequences of foreign developments. Neither of the two games can be ignored by central decision-makers, so long as their countries remain interdependent, yet sovereign. (1988: 434)

Putnam (1988: 438) also claims that it is easier to find solutions at the international level if the outcomes of international negotiations are acceptable to domestic constituencies. The success lies in proper use of the win-set, which is defined as “the set of all possible . . . agreements that would ‘win’ –that is, gain the necessary majority among the constituents– when simply voted up or down” (Putnam, 1988: 437). Besides, Raiffa (1982: 166) cites that John Dunlop, a formidable negotiator, remarks that “bilateral negotiations usually require three agreements—one across the table and one on each side of the table”. In other words, the negotiators on both sides of the table bargain for satisfying both national and international groups while trying not to cross the invisible line on the table.

There are some critics of two-level game model, and one of them comes from Daugbjerg and Swinbank. They (2009: 29) claim that it pays insufficient attention to the impact of membership of international trade regimes on domestic policy reform processes and the change of states’ negotiating positions as well as the change of the game in future negotiations within the regime. For instance, the model cannot adequately explain how or why the EU’s negotiating position has changed over time. Secondly, Daugbjerg and Swinbank note a number of contrasts in the UR and Doha Round. They quote that the EU’s position was reactive in the UR while it was proactive in the Doha Round. Another criticism of two-level game is that it assumes the international negotiations as one-dimensional and focuses on the specific commitments of an agreement. In fact, in due course, the UR’s AoA has evolved in terms of its commitments and certain issues.

1.3. The EU and Turkey in Two Interrelated Three-Level Games

In this study, the main actors of the WTO (especially the USA and the EU) may be supposed to have negotiating strategies which are determined by domestic constituents, and some may argue that the WTO's minor actors' strategies are basically determined by international constituents. Indeed, mutual interests in the negotiations compel all Members to be a good *player* in this two-level game. Moreover, in all international negotiations, domestic interests are of vital importance to any party of the negotiation whereas they are also expected to conclude with an international agreement.

This study, which takes the two-level game model as a theoretical basis, argues that the cases of the EU and Turkey are part of two interrelated *three-level games* in terms of their ties with the WTO as well as each other. In the three-level game for the EU, the WTO agriculture negotiations (Level I), the EU's CAP negotiations (Level II) and the EU Members' domestic constituents (Level III) affect each other in an interactive way. As for Turkey, the rules of the game show a similarity for her, too. Turkey's full membership negotiations with the EU are added into the current two-level game model (i.e. the WTO agriculture negotiations as an international negotiation platform and her domestic constituents), which converts the model into a three-level game. That is to say, in the WTO agriculture negotiations, Turkey is simultaneously expected to satisfy the WTO Members and her own agriculture constituents as well as the EU so as not to miss a possible EU membership in the future. In this case, the WTO agriculture negotiations (Level I), Turkey's EU membership negotiations (Level II) and Turkey's domestic constituents (Level III) make up the levels of the game for Turkey. Chapter V titled "Three-Level Games and Turkey's EU Compatibility in the Negotiations" is presented in this context, and the last section of the chapter discusses what kind of strategies Turkey should adopt in the WTO agriculture negotiations by considering the outcomes of these games.

CHAPTER II

THE WTO AND AGRICULTURE GROUPS IN THE NEGOTIATIONS

2.1. The Place of Agriculture in World Trade

Nearly all countries have different attributes for agriculture such as climate, soil, and even technology. It naturally results in producing different agricultural products, and countries may have some advantages or disadvantages for producing particular products. Besides, short-term price fluctuations and uncertainty in the world agricultural market distinguishes agricultural trade from other industries. While agricultural trade plays a vital role in the economic development of developing countries, it represents only a minor portion of the economy in most of developed countries. The first section of this chapter gives some statistical data concerning agricultural trade over the world.

Table 1: *Growth in the volume of world merchandise exports and production*

<i>(Annual percentage change)</i>	2000-08	2006	2007	2008
World merchandise exports	5,0	8,5	6,0	1,5
Agricultural products	4,0	6,0	5,0	2,5
Fuels and mining products	3,0	4,0	3,5	0,5
Manufactures	6,0	10,5	7,5	2,0
World merchandise production	2,5	4,0	1,5	-0,5
Agriculture	2,5	1,5	2,5	3,0
Mining	1,5	1,0	0,0	1,0
Manufacturing	2,5	5,5	1,5	-1,5
World GDP	3,0	3,5	3,5	1,5

Source: WTO, 2009: 7.

Table 1 indicates that the volume of world agricultural products exports increased 6,0% in 2006, 5,0% in 2007, and 2,5% in 2008 whereas the increase in the volume of world agriculture production was 1,5% in 2006, 2,5% in 2007, and 3,0% in 2008. Interestingly, in 2008, both agricultural products exports and agriculture

production left manufactures exports and manufacturing production behind in contrast to the previous two years.

Table 2: *World merchandise exports by major product group, 2008*

<i>(Billion dollars and percentage)</i>	Agricultural products	Fuels and mining products		Manufactures						
		Total	Fuels	Total	Iron and steel	Chemicals	Office and telecom equipment	Automotive products	Textiles	Clothing
Value	1342	3530	2862	10458	587	1705	1561	1234	250	362
Share in world merchandise trade	8,5	22,5	18,2	66,5	3,7	10,9	9,9	7,8	1,6	2,3
Annual percentage change										
1980-85	-2	-5	-5	2	-2	1	9	5	-1	4
1985-90	9	3	0	15	9	14	18	14	15	18
1990-95	7	2	1	9	8	10	15	8	8	8
1995-00	-1	10	12	5	-2	4	10	5	0	5
2000-08	12	19	20	11	19	14	6	10	6	8
2006	11	28	23	13	18	13	14	11	8	12
2007	20	15	13	15	27	19	4	18	9	12
2008	19	33	41	10	23	15	3	3	4	5

Source: WTO, 2009: 41.

Although agricultural products do not have a great share in world merchandise trade (8,5% in 2008), their annual percentage change has shown a noticeable increase in recent years. Not surprisingly, similar increases have also occurred in fuels and in most of manufactures such as iron and steel, chemicals, and automotive products. However, the value of agricultural products fell quite far behind manufactures in 2008 as seen in Table 2.

Table 3: *World merchandise exports by major product group and region, 2008*

<i>(Billion dollars and percentage)</i>	Agricultural products	Fuels and mining products		Manufactures						
		Total	Fuels	Total	Iron and steel	Chemicals	Office and telecom equipment	Automotive products	Textiles	Clothing
Share in total exports	8,5	22,5	18,2	66,5	3,7	10,9	9,9	7,8	1,6	2,3
Annual percentage change										
2000-2008	12	19	20	11	19	14	6	10	6	8
2007	20	15	13	15	27	19	4	18	9	12
2008	19	33	41	10	23	15	3	3	4	5
North America	212,1	345,9	253,4	1389,2	35,5	228,9	208,1	209,4	16,5	10,7
Share in total exports	10,4	17,0	12,4	68,2	1,7	11,2	10,2	10,3	0,8	0,5
Annual percentage change										
2000-2008	8	18	18	5	15	11	0	4	1	-7
2007	18	17	14	8	16	15	3	8	-2	-15
2008	19	34	47	5	32	15	2	-5	-3	-3
South and Central America	156,9	255,8	163,3	172,6	21,8	36,9	6,0	23,1	3,8	12,4
Share in total exports	26,2	42,7	27,2	28,8	3,6	6,2	1,0	3,9	0,6	2,1
Annual percentage change										
2000-2008	15	18	17	11	16	16	4	15	8	1
2007	23	12	6	14	18	16	-14	10	22	1
2008	25	25	39	12	13	22	1	11	13	-2
Europe	602,6	767,9	552,0	4953,6	263,8	992,7	414,6	676,9	92,1	130,5
Share in total exports	9,3	11,9	8,6	76,8	4,1	15,4	6,4	10,5	1,4	2,0
Annual percentage change										
2000-2008	12	18	19	11	18	14	5	11	5	9
2007	19	13	9	17	28	19	-6	20	11	15
2008	16	26	40	9	15	13	1	2	-1	6
Commonwealth of Independent States (CIS)	47,7	470,0	416,9	174,8	66,8	41,3	1,9	8,1	2,4	2,0
Share in total exports	6,8	66,9	59,3	24,9	9,5	5,9	0,3	1,2	0,3	0,3
Annual percentage change										
2000-2008	17	24	27	19	22	20	17	19	8	6
2007	34	18	18	25	25	25	34	36	12	8
2008	20	39	44	32	40	46	27	9	11	9
Africa	37,9	393,9	349,7	99,9	12,1	20,8	2,6	7,6	2,3	12,0
Share in total exports	6,8	70,6	62,7	17,9	2,2	3,7	0,5	1,4	0,4	2,2
Annual percentage change										
2000-2008	10	21	21	13	18	19	12	21	6	7
2007	13	18	17	17	23	24	2	6	9	20
2008	17	31	33	23	19	55	6	42	0	4
Middle East	24,2	756,5	740,6	220,3	6,3	59,3	18,5	18,4	9,3	6,0
Share in total exports	2,4	74,1	72,5	21,6	0,6	5,8	1,8	1,8	0,9	0,6
Annual percentage change										
2000-2008	16	18	18	17	27	22	9	27	7	11
2007	18	13	13	24	7	19	6	69	17	5
2008	35	38	38	24	28	51	30	-8	10	3
Asia	260,0	540,2	386,1	3447,8	180,9	325,5	909,8	289,9	123,9	188,3
Share in total exports	6,0	12,4	8,9	79,2	4,2	7,5	20,9	6,7	2,8	4,3
Annual percentage change										
2000-2008	13	21	21	12	22	16	9	12	8	10
2007	20	18	16	16	32	21	10	18	8	13
2008	22	36	51	11	29	13	3	9	9	5

Source: WTO, 2009: 42.

Table 3 shows that Europe is the biggest exporter of agricultural products in terms of value, and Asia, North America, South and Central America follows it, respectively. Middle East, Africa and Commonwealth of Independent States (CIS) are seen not to have a high value for exportation of agricultural products. Additionally, agricultural products share in total exports is 26,2% in South and Central America, 10,4% in North America, 9,3% in Europe, 6,8% in CIS and Africa, 6,0% in Asia, and 2,4% in Middle East. In Table 4, Europe is shown as the leading exporter of primary agricultural products while Middle East is the biggest importer of these products, and it is followed by Africa, CIS, Europe, and South and Central America, respectively.

Table 4: *Share of agricultural products in trade in total merchandise and in primary products by region, 2008*

<i>(Percentage)</i>	Exports	Imports
Share in total merchandise		
World	8,5	8,5
North America	10,4	6,1
South and Central America	26,2	9,3
Europe	9,3	9,4
Commonwealth of Independent States (CIS)	6,8	10,7
Africa	6,8	14,2
Middle East	2,4	11,2
Asia	6,0	7,6
Share in primary products		
World	27,5	27,5
North America	38,0	20,9
South and Central America	38,0	30,5
Europe	44,0	32,6
Commonwealth of Independent States (CIS)	9,2	45,8
Africa	8,8	46,2
Middle East	3,1	53,9
Asia	32,5	19,7

Source: WTO, 2009: 43.

In terms of value and share, Table 5 indicates that the EU takes the first place in exporters and importers of agricultural products according to 2008 data. The EU is followed by the USA both in the list of exporters and in the list of importers. Countries such as Canada, China, Indonesia, Malaysia and Russian Federation are other countries which take place in both lists. Brazil, Argentina, Thailand, Australia, India, New

Zealand, Mexico and Chile take place among leading exporters of agricultural products, but they are not seen in the leading importers list. On the other hand, Turkey is not included in the first 15 countries of exporters whereas she takes the 14th rank in the list of importers.

Table 5: *Leading exporters and importers of agricultural products, 2008*

<i>(Billion dollars and percentage)</i>	Value	Share in world exports/imports					Annual percentage change			
		2008	1980	1990	2000	2008	2000-08	2006	2007	2008
Exporters										
European Union (27)	566,32	-	-	41,8	42,2	12	10	19	15	
extra-EU (27) exports	127,63	-	-	10,1	9,5	11	13	16	17	
United States	139,97	17,0	14,3	12,9	10,4	9	12	23	23	
Brazil	61,40	3,4	2,4	2,8	4,6	19	13	22	27	
Canada	54,08	5,0	5,4	6,3	4,0	6	7	10	11	
China	42,29	1,5	2,4	3,0	3,2	13	13	19	9	
Argentina	37,50	1,9	1,8	2,2	2,8	15	11	35	30	
Indonesia	32,86	1,6	1,0	1,4	2,4	20	27	33	38	
Thailand	31,66	1,2	1,9	2,2	2,4	13	21	16	27	
Malaysia	27,80	2,0	1,8	1,5	2,1	17	16	32	35	
Australia	26,14	3,3	2,9	3,0	1,9	6	5	1	17	
Russian Federation	25,02	-	-	1,4	1,9	16	19	37	6	
India	21,37	1,0	0,8	1,1	1,6	17	22	32	29	
New Zealand	17,90	1,3	1,4	1,4	1,3	11	2	21	12	
Mexico	17,56	0,8	0,8	1,6	1,3	9	15	8	13	
Chile	15,61	0,4	0,7	1,2	1,2	12	14	19	14	
Above 15	1117,47	-	-	83,6	83,3	-	-	-	-	
Importers										
European Union (27)	611,75	-	-	42,4	43,3	12	9	21	15	
extra-EU (27) imports	173,05	-	-	13,2	12,2	10	9	21	15	
United States	115,91	8,7	9,0	11,5	8,2	7	8	6	6	
China	86,83	2,1	1,8	3,3	6,1	20	14	27	33	
Japan	80,63	9,6	11,5	10,4	5,7	3	-1	5	17	
Russian Federation a	34,27	-	-	1,5	2,4	18	22	15	27	
Canada b	31,24	1,8	2,0	2,6	2,2	9	13	14	11	
Korea, Republic of	26,36	1,5	2,2	2,1	1,9	9	11	18	20	
Mexico b	25,92	1,2	1,2	1,8	1,8	11	12	19	18	
Hong Kong, China	16,50	-	-	-	-	4	7	13	23	
retained imports	10,46	1,0	1,0	1,1	0,7	6	7	10	22	
Saudi Arabia a	15,86	1,5	0,8	0,9	1,1	14	8	26	27	
United Arab Emirates a	14,64	0,3	0,4	0,6	1,0	18	22	28	30	
Malaysia	13,36	0,5	0,5	0,8	0,9	14	17	25	26	
Indonesia	13,31	0,6	0,5	1,0	0,9	11	2	40	27	
Turkey	13,04	0,1	0,6	0,7	0,9	15	12	35	33	
Taipei, Chinese	12,55	1,1	1,4	1,3	0,9	6	2	12	16	
Above 15	1106,12	-	-	82,0	78,3	-	-	-	-	

Notes: a, Includes Secretariat estimates

b, Imports are valued Free on Board (FOB)

Source: WTO, 2009: 49.

2.2. From GATT to the Establishment of the WTO

In 1947, GATT was signed by 23 countries with the intent of establishing a more comprehensive trade agreement which would bring about the International Trade Organization into existence. Though this organization never came into existence, GATT was accepted as the main multilateral trade agreement until the birth of the WTO in 1995. GATT was a set of rules while the WTO is an institutional body. However, GATT is still a part of the WTO framework with some modifications, and it functions as the rule-book of the WTO for trade in goods.

In fact, the WTO does not struggle for very different goals from GATT. Undoubtedly, trade relations are more complex than the first days of GATT and interdependence among countries increases more and more day by day on the globalizing world. So, today, the WTO takes on a more challenging role than GATT. Besides breaking down tariff and non-tariff barriers to trade, the WTO's main function is "to ensure that trade flows as smoothly, predictably and freely as possible" (see Table 6) and its goal is "to improve the welfare of the peoples of the Member countries".⁴ The WTO tries to achieve this goal with its main agreements (i.e. GATT, GATS and TRIPS)⁵ which are the results of the negotiations between the Members.

⁴ For more information on the role of the WTO, see http://www.wto.org/english/thewto_e/whatis_e/inbrief_e/inbr00_e.htm.

⁵ GATS was created so as to apply the principles of freer and fairer trade to services, which was originally only applied to trade in goods through GATT. TRIPS aimed to protect intellectual property during international trade. Both GATS and TRIPS were introduced as a result of the negotiations in UR (1986–1994).

Table 6: *The principles of the trading system in the WTO*

The trading system should be...	without discrimination	a country should not discriminate between its trading partners (giving them equally “most-favoured nation” or MFN status); and it should not discriminate between its own and foreign products, services or nationals (giving them “national treatment”);
	Freer	barriers coming down through negotiation;
	predictable	foreign companies, investors and governments should be confident that trade barriers (including tariffs and non-tariff barriers) should not be raised arbitrarily; tariff rates and market-opening commitments are “bound” in the WTO;
	more competitive	discouraging “unfair” practices such as export subsidies and dumping products at below cost to gain market share;
	more beneficial for LDCs	giving them more time to adjust, greater flexibility, and special privileges.

Source: WTO website, <http://www.wto.org>.

2.3. Deadlocks in the WTO Agriculture Negotiations

In general, the countries use three kinds of negotiations in international trade arena: unilateral, bilateral and multilateral negotiations. The WTO agriculture negotiations are held on a multilateral basis, and this effort inevitably brings the negotiations to a deadlock in each round which is launched with great expectations of the parties (i.e. the WTO Members or groups), and this is mostly because these parties struggle to get their own interests as much as they can during the negotiations. Ingo

and Croome (2000: 24) refer to this reality by saying that “though multilateral negotiations have their advantages, they also have their price”. They state that multilateral negotiations are long and complex besides they make great demands on governmental attention at both political and official levels. They also emphasize that “nothing is agreed until everything is agreed” in multilateral negotiations, for which the final days of the UR is given as an example.

Another similar case came out when Brazil, India, China and about 20 other developing countries grouped together to demand radical cuts in wealthy countries’ farm subsidies and trade barriers against the US-EU joint proposal in the fifth session of the WTO Ministerial Conference (held in Cancún, Mexico, 10-14 September 2003), and ministers failed to reach an agreement on such a framework document resulting in a deadlock over so-called Singapore issues⁶ (Mosoti and Gobena, 2007: 43–44). It was a failure which led to the collapse of the whole Cancún Ministerial session, and the agriculture agenda came under question with this failure as well as the future of the WTO itself.⁷

However, these facts do not change the acceptability of multilateral negotiations for most of the countries over the world, especially for the Members of the WTO, and they are not enough to bring these negotiations into disrepute when considering the negotiations’ tangible advantages. For instance, the principle of most-favored-nation (MFN) treatment applied under the WTO aims to extend the liberalization to all without discriminating against any of its Members, and it has enabled some rounds to be concluded in a satisfactory way, even not in all rounds (Ingco and Croome, 2000: 23). In addition to this, the principle of national treatment requires the Members to treat imported and locally-produced goods equally.⁸ These characteristics of the negotiation structure, which are also given with some details in Table 6, may contribute to get favourable results for the parties during some inextricable negotiations especially when

⁶ Singapore issues are the ones which surfaced in the Singapore Ministerial (1996) for future discussion: government procurement, trade and investment, trade and competition policy, trade facilitation.

⁷ See also Akman, 2008.

⁸ Also, foreign and domestic services, foreign and local trademarks, copyrights and patents should be applied on the same principle. The principle of national treatment is found in three main WTO agreements: Article 3 of GATT, Article 17 of GATS and Article 3 of TRIPS.

considered that WTO principles provide public good for the Members, and it is more likely to overcome the deadlocks in the WTO agriculture negotiations by enlarging the scope of similar principles and by sensitively evaluating the pressures for and against agricultural trade liberalization given in Table 7.

Table 7: *Pressures for and against agricultural trade liberalization*

Against	For
<ul style="list-style-type: none"> • Intense Lobbying by Agricultural Interest Groups • The Argument for Food Security • Quality Standards and Food Safety • Intrinsic Characteristics of Agriculture • Agricultural Non-Trade Concerns • Food Dependence (Net Food Importers) • Preferential Trade Agreements (PTAs) 	<ul style="list-style-type: none"> • AoA (UR) and Cairns Group • Agricultural Policy Inconsistencies in the Developed World • New Domestic Pressures • Growing International Pressures • Internationalization of Agribusiness Corporations • International Migration of Farmers • Agricultural Exporters

Source: Jank, Fuchsloch and Kutas, 2003: 9.

2.3.1. Importance of These Negotiations

The severe economic recession of the last period of 19th century was the first signal of the Great Depression, which appeared in the 1930s and affected all sectors of the world. While many countries adopted high tariffs so as to protect their agriculture and industry from imports during the 1870s, tariffs were reduced to low levels or removed altogether as a result of the First World War which devastated large agriculture areas resulting in low food production and high prices. However, it was the Great Depression that substantially increased the tariffs and urged most of Europe to prevent imports while improving their domestic economy by expanding exports. Hill depicts these years as follows:

Between the late 1920s, and early 1930s agricultural import tariffs increased greatly. To make sure that they achieved their objective of reducing imports the latter were in many cases also limited by quota. Even those countries dedicated to free trade were forced to intervene to try to save their agricultures from irrational cut-throat competition. (1984: 11)

Hill (1984: 11-13) suggests that this bitter situation of the agriculture resulted in intervention of European governments to an increasing extent, and he gives the reasons for the intervention as follows: economic efficiency, security of food supply, equity, reasonable food prices, political and conservation. Today, these reasons still make up the main concerns of world governments, and it seems that the governments cannot get rid of these concerns unless they develop distinctive agricultural policies appropriate to their own structure and realities. When viewed from this aspect, the WTO agriculture negotiations may provide a backdrop for the Members to test whether they meet the requirements for a long-term success on the issue.

On the other hand, the interests of both developed and developing countries may not to be compatible for agriculture at all times when the matters of conflict are put on the table. As it is commonly known, agriculture has been excluded from the WTO negotiations since the establishment of the GATT, and it is the UR (1986–1994) in which agriculture has been accepted as a part of the negotiations at the intense insistence of net food exporter Members of the WTO including some developing countries. In return, the developing countries have accepted to take prominent steps for trade liberalization of industrial goods which have traditionally come across some trade barriers on the issue of market access until that time. Although there has not been a remarkable *de facto* progress on agriculture in context of trade liberalization up to now, including agriculture in the WTO negotiations is undoubtedly an important inception for a more competitive agriculture sector.

2.3.2. Reasons of the Debate

The problems of agriculture are not new things in the eyes of the world politics. They have engaged the attention of world leaders for decades and have been a major issue since the UR of multilateral trade negotiations under the GATT. Although there is

no clear consensus on how to deal with these problems to date, it is a fact that they embody some non-ignorable dangers in themselves. Miner and Hathaway points to some of these dangers in their study, which was published years ago, as follows:

The cry of “crisis in world agriculture” is heard more frequently today than at any time since the 1930s. The parallel is real and disturbing; there are a number of similarities between agricultural market conditions in the 1980s and those of the depression years. Slow growth in the world economy and declines in inflation rates in the major market economies have exerted downward pressure on agricultural commodity prices in the 1980s. . . . Agricultural protectionism rose sharply in the early 1980s as countries attempted to isolate their producers from declining world markets. Farm asset values dropped, and rural communities experienced severe economic stress similar to what occurred in the depression era. (1988: 4)

These words of the authors suggest that the destiny of agriculture over the world does not change although the years pass, even in 21st century, and it is reborn with new problems year by year, if not day by day. The main question is whether the negotiations carried out on the basis of the WTO may introduce viable settlements for the future of agriculture without creating inequity among the Members. Another vital question is whether the Members would stick to the decisions taken on this platform. These questions try to find their answers in all rounds of the negotiations although they are not clearly included in the main discussions. However, it is a disputable fact that these negotiations play an important role in the destiny of both developed and developing countries, and it is always better to discuss the apparent problems rather than to ignore them unconsciously.

Additionally, the strongest reason of the debate is agricultural support given by countries to their farmers in various ways. Agricultural support is usually used as a term to describe the transfers provided to farmers or the agricultural sector as a whole, and each type of agricultural support is called as a pillar in the jargon of the WTO agriculture negotiations. These pillars are market access, domestic support and export subsidies, and they are detailed in the subsequent section of the chapter. The UR’s AoA⁹ aims for reductions in farm export subsidies, increases in import market access,

⁹ For more information on articles of the AoA, see http://www.wto.org/english/docs_e/legal_e/14-ag_01_e.htm.

and cuts in domestic producer subsidies. However, the Members of the WTO, as an individual or as a group, often favour different views on these three pillars, and these views are generally compatible with their own interests as mentioned before. It mostly makes the negotiations remain inconclusive, or the negotiations proceed rather slowly because a consensus¹⁰ cannot be reached among the Members. Nevertheless, as given in Table 8, GATT and the WTO has certainly covered a great distance for the liberalization of world agricultural trade.

Table 8: *The evolution of world agricultural protectionism*

Policy Instruments	Regulatory Institution/Agreement
• Tariffs and Tariff Rate Quotas	• AoA (UR)
• Non-Tariff Barriers (Technical/Sanitary)	• TBT & SPS (UR)
• Subsidies (Domestic, Export)	• AoA (UR)
• Export Credits and Food Aid	• No Multilateral Discipline
• Antidumping and Safeguards	• GATT Article VI and ASCM. AoA: “Peace Clause” (Article 13)
• Labor Standards	• No Multilateral Discipline
• Environmental Issues	• Issue for WTO Doha Round
• Non Trade Concerns	• Issue for WTO Doha Round

Notes: UR-GATT, Uruguay Round of Multilateral Negotiations
TBT, Agreement on Technical Barriers to Trade
SPS, Agreement on Sanitary and Phytosanitary Measures
Article VI – Antidumping Measures
ASCM, Agreement on Subsidies and Countervailing Measures

Source: Jank, Fuchsloch and Kutas, 2003: 11.

2.4. Three Pillars of the Negotiations

Why support agriculture? This is one of the most frequently asked questions by the world agriculture community and its contributors, especially by taxpayers of the states whose contribution cannot be ignored. Ackrill (1995: 207) clears the issue of

¹⁰ In the WTO Charter, consensus is defined as “no member, present at the meeting when the decision is taken, formally objects to the proposed decision”. The term of consensus should not be mistaken for the term of unanimity. The abstention does not prevent the consensus although it prevents the latter.

government intervention in agriculture by touching on two points: “(i) to counter unstable market prices; and (ii) to support farmers’ incomes”. He refers to price inelasticity of supply and income elasticity of demand for most agricultural products, and emphasizes that food in total has no close substitutes. Also, a great part of total expenditure on food goes on the marketing margin while farmers struggle against technological progress which creates new varieties of inputs resulting in new expenditures for farmers. These facts make the support of agriculture inevitable for the real actors (i.e. states) on a real world stage.

Nevertheless, it is hard to claim that agricultural support is performed rightfully and in an equal base in all countries of the world. The developed countries such as the USA, the EU and Japan allocate a substantial amount of their budget to agriculture while the developing countries fall behind due to their limited budget. By taking this fact into consideration, the following subtitles detail three pillars of the negotiations.

2.4.1. Market Access

Market access negotiations on goods are fundamentally concerned with tariff reductions and the elimination or reduction of certain non-tariff barriers (NTBs)¹¹ to imports. Laird (2002: 103) emphasizes that the main NTBs which directly affect market access principally concern the agricultural sector and involve subsidies as well as tariff rate quotas (TRQs). Market access negotiations are defined as the tariff negotiations under Article IV of the WTO Agreement. However, further reductions in the use of domestic subsidies may also directly affect market access.

Agricultural tariffs are normally higher than the ones on manufacturing sector, and the developing countries have relatively higher tariffs especially on agriculture than industrial countries. As agricultural policy in most of the countries is a perceived need

¹¹ Non-tariff barriers refer to regulations, such as national standards or requirements (for instance, health requirements) that increase the cost of imports and thus have the equivalent effect of tariffs. Often these regulations do not only serve some social purposes (such as the protection of the environment or of consumer health), but also protect national producers from foreign competition. For more information on non-tariff barrier, see Fliess and Lejarraga, 2005.

for self-sufficiency as a result of food security, agriculture was excluded from negotiations before the UR and the developing countries were not required to make concessions in the early GATT rounds; on the other hand, they received little in return as a consequence of such kind of a deal. Therefore, the UR was a turning point for agriculture because it was largely brought under the main WTO disciplines as stated before.

Table 9: *Uruguay Round tariff bindings and actual tariff equivalents of agricultural protection, EU and USA, 1986 to 2000*

	Actual Tariff Equivalent (%), 1989-93	Tariff Binding		Dirty' Tariff-ication, ^a 1986-88	Binding 2000/ Actual Tariff Equivalent, 1989-93
		Final Period 2000 (%)	Proportional Reduction by 2000 (%)		
European Union					
Wheat	68	109	36	1.60	1.60
Coarse grains	89	121	36	1.42	1.36
Rice	103	231	36	2.36	2.24
Beef and veal	97	87	10	1.00	0.90
Other meat	27	34	36	1.32	1.26
Dairy products	147	205	29	1.63	1.39
Sugar	144	279	6	1.27	1.94
ALL AGRIC.					
Unweighted av.	45	73		1.61	1.63
std. Deviation	57	96		1.58	1.68
United States					
Wheat	20	4	36	0.30	0.20
Coarse grains	2	2	74	2.00	1.00
Rice	2	3	36	5.00	1.50
Beef and veal	2	26	15	10.33	13.00
Other meat	1	3	36	0.67	3.00
Dairy products	46	93	15	1.09	2.02
Sugar	67	91	15	1.50	1.36
ALL AGRIC.					
Unweighted av.	13	23		1.44	1.77
std. Deviation	22	35		1.20	1.59

Note: ^a Announced base tariff rate as a ratio of actual tariff equivalent in the base period.

Source: Anderson, 2001: 30.

Note that each Member would individually convert NTBs into binding tariffs after the completion of the UR AoA, and some countries have deliberately overestimated the levels of protection provided by NTBs so as to increase their operative base rate of duty resulting from tariffication. This kind of tariffication has taken its place as dirty tariffication in the literature of trade. While the EU has set tariff equivalents on average at about 60% above the actual tariff equivalents of the CAP in recent years, the US has set theirs about 45% above recent rates (Anderson, 2001: 29). Column 4 of Table 9 gives the details of such type of tariffication for the US and the EU. However, they are not only the developed countries which have resorted to such a way but also the developing countries have practised dirty tariffication on agricultural imports at more than 50%. It has been most prevalent in sensitive sectors such as sugar, dairy and grains (Ingco, 1995: 22).

It may be argued that the achievement of further liberalization in agriculture mostly serves to the interests of the developing countries, and the potential gains from liberalization is largely in direct proportion to removal of the countries' own protection. Hence, market access is a vital issue for these countries which have an undeniable mission to improve their economic conditions so that they can guarantee the food security of their citizens.

2.4.2. Domestic Support

The classification of the subsidies is identified by boxes with colours of traffic light in WTO terminology: 'green box' implies permitted subsidies, 'amber box' implies reduced subsidies, and 'red box' implies forbidden subsidies.¹² In the AoA, 'blue box' takes the place of 'red box' for subsidies based on specific programmes so as to limit production.

Annex 2 of the Agriculture Agreement defines green box as subsidies which do not distort trade or involve price support, and they should be government-funded instead of charging consumers higher prices. Environmental protection and regional

¹² For more information on the boxes, see http://www.wto.org/english/tratop_e/agric_e/agboxes_e.htm.

development programmes are also involved in green box, which enables the countries to use these subsidies without limits.

Amber box deals with subsidies which are directly related to production quantities and is defined in Article 6 of the AoA. Unlike other boxes, these subsidies are subject to limits, and it is 5% of agricultural production for the developed countries while it is 10% for the developing countries. Total Aggregate Measurement of Support (AMS), which is defined in Article 1 and Annexes 3 and 4 in the Agriculture Agreement, is the term used to express the reduction commitments.

The details of blue box are given in Paragraph 5 of Article 6 of the AoA. Blue box is used for limiting production on the grounds of conditions which intend to reduce distortion. As it is in green box, blue box subsidies do not include any limits as well.

As it is on other pillars of the negotiations, there are profound differences between countries in terms of their support to the producers. To illustrate these differences between countries, Table 10 reveals producer support estimates in some OECD countries. Note that the numbers in the table refer to the percentage of gross farm receipts, so it is substantial to consider the Gross Domestic Product (GDP) of given countries while evaluating the table.

Table 10: *Producer support estimates (subsidies)*

As a percentage of gross farm receipts								
	2002	2003	2004	2005	2006	2007	2008	2009
Australia	5	4	3	4	4	5	4	3
Canada	21	25	21	22	22	19	13	20
Iceland	66	65	66	67	65	58	53	48
Japan	57	57	56	54	52	46	48	48
Korea	60	57	63	61	60	58	46	52
Mexico	27	19	12	13	13	13	12	13
New Zealand	0	1	1	1	1	1	1	0
Norway	74	71	66	66	64	57	60	66
Switzerland	71	69	69	66	65	54	57	63
Turkey	24	30	32	32	28	30	36	37
United States	18	15	16	15	11	10	8	10
EU27	34	34	33	30	29	24	22	24
OECD - Total	31	29	29	28	26	22	21	22

Source: OECD, 2010b.

2.4.3. Export Subsidies

The last pillar of the negotiations is related to export subsidies. While some Members are favour of total elimination of all kind of export subsidies, some act with intent to negotiate for progressive reductions. Most of the developing countries, some of which are net food importers, claim that their domestic producers are damaged due to high export subsidies of the developed countries because they cannot compete in their export markets. The lack of the funds to subsidize their export is another point of the issue for some developing countries, and they describe the rules as largely unequal. Moreover, there are contrasting views regarding the issue among the developing countries. However, difference of opinion is also present situation among the developed countries, which is detailed in subsequent section of the chapter while looking through the positions of different groups on the pillars.

There are 25 WTO Members that can subsidize exports for products on which they have commitments to reduce the subsidies. The relevant product groupings and Members are listed in Table 11 and Table 12, respectively. Note that the products and

groups of products in Table 11 are the ones which were used for the establishment of export subsidy reduction commitments during the UR, and Table 12 lists export subsidy reduction commitments by Member for the implementation years 1995 to 2000.¹³

Table 11: *Product groupings*

Code	Products or groups of products
1	Wheat and wheat flour
2	Coarse grains
3	Rice
4	Oilseeds
5	Vegetable oils
6	Oilcakes
7	Sugar
8	Butter and butter oil
9	Skim milk powder
10	Cheese
11	Other milk products
12	Bovine meat
13	Pigmeat
14	Poultry meat
15	Sheepmeat
16	Live animals
17	Eggs
18	Wine
20 (includes 19)	Fruit and Vegetables
21	Tobacco
22	Cotton
23	Incorporated products
24	Other agricultural products
25	All agricultural products

Source: WTO, 2002a: 2.

¹³ 'Implementation year' is a term used for the relevant calendar, financial, or marketing year.

Table 12: *Number of export subsidy reduction commitments by Member and product group*

Member	Product group (see Table 11 for definitions)																								
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	20	21	22	23	24	25	ALL
Australia								1	1	1	1								1						5
Brazil		1			1	1	1				1	1		1				1	2	1	1		4		16
Bulgaria	1			1						2		1	1	3	1	2	1	1	28	1		1			44
Canada	1	1		1	1	1		1	1	1	1								1			1			11
Colombia			1					1				1							3	1	1		10		18
Cyprus										1	1	1	1	1	1			1	2						9
Czech Republic	1	1			1			1		1		1	1	1	1			1	1				4		16
European Communities	1	1	1	1	1			1	1	1	1	1	1	1			1	1	2	1		1	1		20
Hungary	1	1		1	1			1			1		1	1	1	3		1	2						16
Iceland											1					1									2
Indonesia			1																						1
Israel																			3		1		2		6
Mexico	1	2						1											1						5
New Zealand																								1	1
Norway								1			1	1	1	1	1		1		1			1	1		11
Panama																								1	1
Poland				1	1			1			1	1		1		1			4				5		17
Romania		1		1	1			1	1		1			1		1	1	1	2						13
Slovak Republic	1	1			1			1			1	1	1	1	1			1	1				5		17
South Africa	1	4		1	2			2	1	1	1	2	1	1	1		1	1	5	2	1		33		62
Switzerland-Liechtenstein											1					1			2			1			5
Turkey	2	3			4			1		1	3	3		1	1		1		14	1			9		44
United States	1	1	1		1			1	1	1	1	1	1	1		1	1								13
Uruguay			1			1		1																	3
Venezuela		1	4								1								46	4			16		72
All Members	11	18	9	7	15	3	11	9	8	12	17	17	9	15	9	9	7	9	121	11	4	5	90	2	428

Source: WTO, 2002a: 3.

2.5. The Evolution of the WTO Agriculture Negotiations under Doha Round

In 2001, ministers of the WTO Members placed *development* at the centre of the Doha Round by considering the developing countries' needs and interests. Enhanced market access, balanced rules and sustainably financed technical assistance would play important roles in order to meet the needs of these countries for most of the ministers. Pascal Lamy, Director General of the WTO, presents a Secretariat note on development aspects of the Doha Round to the WTO's Committee on Trade and Development on 28 November 2005, and says that "What is already on the table can translate into a good result for development. It would certainly be disastrous if what we have disappears because we fail to move the negotiations forward." He emphasizes the development aspect of the Round during the same speech as follows:

Our task through this Round is to ensure that the development dimension remains at the very centre of these negotiations in every area of the Round's agenda. As I have said on many occasions, development is at the core of this Round. Development is the *raison d'être* of the Doha Round.¹⁴

The development in question would be obtained by lowering trade barriers around the world. Thus, global trade would increase for all countries. However, the atmosphere in the area of agriculture contained both optimism and caution (Beraldo, 2009: 52). It contained optimism because the launch of a new round would temporarily remove the risk of a crisis in the world system; and caution because of the experiences and outcomes of the UR which ended up with disappointing results for many developing countries.

Up to now, agriculture has been one of the major issues during the negotiations, and industrial tariffs and non-tariff barriers, services, and trade remedies show up as other major issues to be solved. The matter of agricultural subsidies is the main contention between the developed countries led by the USA, the EU and Japan and the developing countries represented mainly by China, India, Brazil and South Africa. It was also agricultural import rules which led to a breakdown in most recent round of

¹⁴ For the full text of the speech, see http://www.wto.org/english/news_e/news05_e/stat_lamy_28nov05_e.htm.

negotiations in July 2008. The Doha Round, which began with a ministerial-level meeting in Doha, Qatar in 2001, was followed by ministerial meetings in Cancún, Mexico (2003); Hong Kong (2005); and Geneva, Switzerland (2008). These ministerial meetings and interim developments are shortly given in the following.

2.5.1. Cancún, Mexico (2003)

The aim of Cancún Ministerial was to cover a distance on the objectives of the Doha Round. However, the developing countries' insistence on Singapore issues and agricultural subsidies within the USA and the EU were the outstanding reasons for the collapse of the Ministerial just after four days. While some blame Luis Ernesto Derbez, Mexico's foreign minister and chairman of the Cancún gathering, for cutting off discussion too hastily, some believe that the Ministerial failed because "the Europeans probably made a tactical mistake in retreating so late on the Singapore issues" (*The Economist*, 2003: 30). Flawed decision-making system of the WTO is also seen as a reason for this failure. On the other hand, the developing countries surely bear equal responsibility for Cancún's collapse. *The Economist* summarizes the position of these countries as follows:

Although a few emerging economies were tireless negotiators, too many others did no more than posture. Some of the posturing was tactical: for all their public rhetoric, for instance, the G-21 group was actively negotiating with both America and Europe. But others, particularly some African countries, could not get beyond their radical public positions. Anti-rich-country rhetoric became more important than efforts to reach agreement. (2003: 31)

Though the collapse seemed like a victory for the developing countries, it was a clear failure for the course of the negotiations. In addition to this, Cancún Ministerial was prominent for the developing countries since they could make an appearance as non-ignorable actors of these negotiations. To give an example, the G-20 (see 2.6.4.) was new trade bloc of the developing countries and gave the main actors of the negotiations hard time in the Ministerial.

2.5.2. Geneva, Switzerland (2004)

In January 2004, USA Trade Representative Robert Zoellick called up for the renewal of negotiations by offering to leave the Singapore Issues aside, at least partly, which resulted in the acceptance of the developing countries to start trade talks again. Also, the EU accepted to eliminate all export subsidies in the agricultural sector by date certain (Fergusson et al., 2005: 3).

After intense negotiations in July 2004, the WTO Members adopted the July Package, which is also known as the Framework Agreement. The agreement proposes guidelines for the Doha Round negotiations, but does not include any specific result. Besides a four-page declaration, it includes four annexes which deal with agriculture, non-agricultural market access, services, and trade facilitation.

The negotiations in Geneva did not result in radical developments in the course of the negotiations; however, these negotiations were important because a complete failure could be avoided for the moment. On the other hand, it was obvious that it would not be easy for the EU and other developed countries to persuade the developing countries on Singapore Issues.

2.5.3. Hong Kong (2005)

One of the decisions of the July Package was the Sixth WTO Ministerial Conference which would be held in Hong Kong, China, in December 2005. Although it started with low expectations, the Ministerial brought forth a Declaration at the end of six days of round-the-clock talks. As it is included in the Declaration, “Members agreed on the abolition of agricultural export subsidies by 2013, . . . the developed countries promised duty/quota-free access to 97% of product lines from the least developed countries (LDCs) by 2008” (Orava and Zhu, 2006: 9). In addition, the Members agreed on another package called ‘Aid for Trade’ to enable poorer countries to take advantage of the improved opportunities resulting from trade barrier reductions.

Before the Hong Kong Ministerial, it was certain that the Members would not reach an agreement on a detailed framework for subsidy and tariff cuts in Hong Kong. Instead of specific numbers and formula structures for these two cuts, the Members agreed on some general parameters to guide the development of full modalities on agriculture and NAMA (Non-Agricultural Market Access) by setting themselves a deadline of 30 April 2006 for finalizing the modalities and 31 July 2006 for submitting schedules of commitments in these areas (Orava and Zhu, 2006: 9).

2.5.4. Geneva, Switzerland (2006)

From 28 June to 1 July 2006, ministers and heads of delegations met in Geneva for the negotiations on modalities for trade in agriculture and industrial products; however, the negotiations were suspended at the end of July despite the attempt of ministers from six key players (i.e. Australia, Brazil, the EU, India, Japan and the USA) to break the deadlock. Nevertheless, according to the news release on the formal website of the WTO, too wide gaps between these key players of the negotiations are claimed to be the reason causing this deadlock, and WTO Director-General Pascal Lamy argues that it will be a setback for all Members by saying that “today there are only losers”.¹⁵ Negotiations in Geneva entailed many to question the usefulness of multilateralism once again.

2.5.5. Geneva, Switzerland (2008)

In July 2008, the draft modalities presented by New Zealand Ambassador Crawford Falconer, Chairman of the WTO Agriculture Negotiating Group, prepared as a package for the Ministerial Conference in Geneva. The package, which is known as the July 2008 Package, was the outcome of long negotiations taking place in various formats such as the Green Room¹⁶ meetings and meetings of the Trade Negotiations

¹⁵ For the full text of the news release, see http://www.wto.org/english/news_e/news06_e/mod06_summary_24july_e.htm.

¹⁶ The Green Room is a place in British theatre where performers would wait when they were not needed on stage, and in WTO jargon, the term refers to the informal process in which heads of delegations seek consensus under the chairmanship of the Director-General.

Committee. Although it seemed, at first glance, to have created a consensus among the Members, the negotiators' failure to devote sufficient attention to the issue of special agricultural safeguards caused the collapse of the talks (Beraldo, 2009: 54). In the news release titled "Farm Tariffs Sink World Trade Talks", the issue is described as follows:

The safeguards demanded by India and China would have allowed them to sharply raise their import tariffs on agricultural products, especially rice, sugar and cotton, in response to a surge in imports. Since the purpose of the Doha Round was to allow poor countries to develop by exporting farm products, the demand for safeguards by India and China violated the spirit of Doha, food exporters insisted. (*The Washington Times*, 2008)

While the EU Trade Commissioner Peter Mandelson finds the result as heartbreaking, WTO Director-General Pascal Lamy explains the failure of China, India and the USA to agree on import rules by saying that "Members have simply not been able to bridge their differences" (*BBC News*, 2008).

2.5.6. Current State of the Negotiations

Despite the intense efforts of WTO Director-General Pascal Lamy and Luiz Inácio Lula da Silva, president of Brazil, to start the negotiations again, the Members have been locked in negotiations in recent years. The pledges in different international platforms to complete the Doha Round have not been kept, so completion of the round has constantly been postponed.

While the EU and the developing countries ask the USA to make a more generous offer for reducing trade-distorting domestic support, the USA expects the EU and the developing countries to make more substantial reductions in tariffs and to limit the number of import sensitive and special products (Hanrahan and Schnepf, 2007: 2). Moreover, Brazil insists on reductions in trade-distorting domestic subsidies given by the USA, and India emphasizes the necessity of large number of special products.

However, there are also some appreciable initiatives to make progress in the negotiations. On 9 July 2010, Agriculture Negotiations Chairperson David Walker, who

is New Zealand's ambassador, requested the Members to supply the information required for compiling data which will become part of the modalities.¹⁷ In agriculture negotiations meetings on 6 and 10 December 2010, David Walker outlined a plan of producing a near-final revised draft of modalities by the end of March 2011 and concluding the Doha Round as a whole by the end of the year.¹⁸ The plan has also been supported by the negotiators who were asked to do their homework by consulting each other until 17 January 2011.

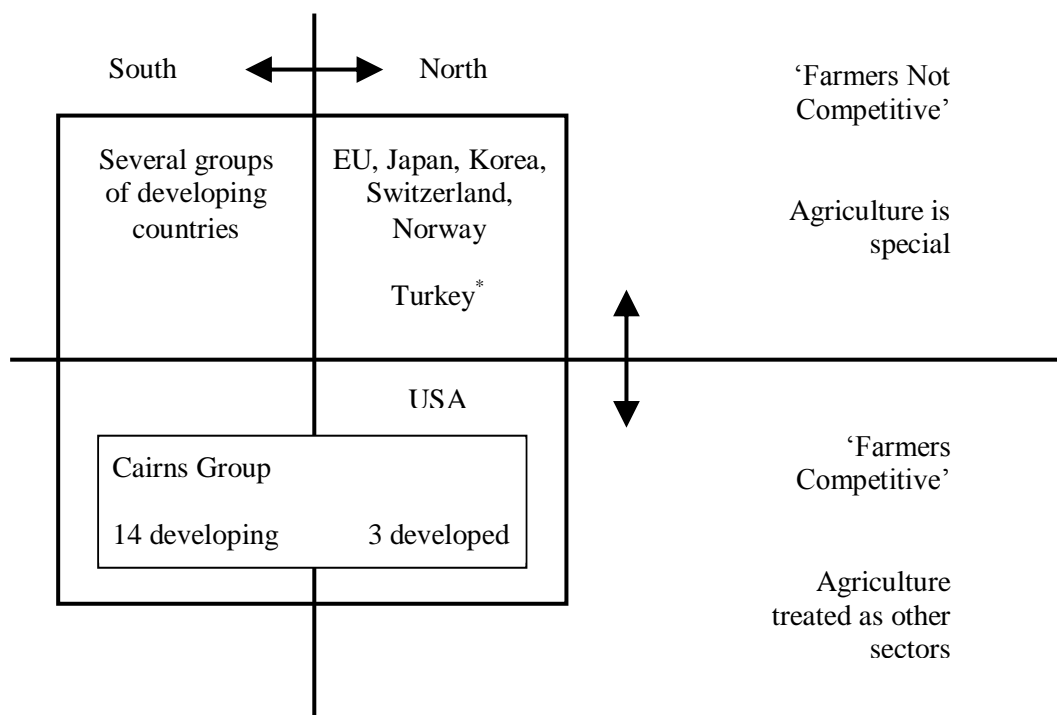
2.6. Positions of Different Groups on the Pillars

There are different negotiation groups taking part together in the WTO agriculture negotiations. Members have formed these common interest groups so as to keep their interests in the negotiations, reflect their concerns and interests to the negotiation issues and be effective during the negotiations (İmir, 2008: 136). All Members take part in one or more negotiation groups, except for the USA and EU. Figure 1, in which Turkey is depicted in the same area with the EU, indicates different positions of some Members and groups in the WTO agriculture negotiations. In this section, positions of different groups on market access, domestic support and export subsidies are given with their basic features.

¹⁷ See http://www.wto.org/english/news_e/news10_e/agng_07jul10_e.htm.

¹⁸ This plan was based on the declaration of G-20 summit in Seoul and APEC meeting in Yokohama.

Figure 1: *Different positions of the agriculture world*



Note: * Added into the figure by the author. Turkey is in the same area in the figure as a candidate country for the EU membership.

Source: Díaz-Bonilla, Frandsen and Robinson, 2006: 3.

2.6.1. EU¹⁹

The position of the EU on the pillars (i.e. market access, domestic support and export subsidies) is given with its underlying details in subsequent chapter under the title of *The EU's Position in Three Pillars of the Negotiations*.

2.6.2. USA

The USA is a major driving force behind the WTO agriculture negotiations; nevertheless, it is often the focus of criticism for its extreme protectionist agricultural

¹⁹ EU Members are Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, European Union (formerly EC), Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovak Republic, Slovenia, Spain, Sweden, United Kingdom.

policy. Most of the criticism comes from the developing countries which claim that the USA harms these countries' development process by disrupting their agricultural sector with intensive domestic support and export subsidies used for agriculture in the USA. The developing countries also suggest that such kind of an agricultural policy of the USA directly or indirectly threatens food security of their peoples. However, in the proposal submitted to the WTO, the USA states that:

The specific elements of the United States' approach entail reforms across all measures that distort agricultural trade and that once adopted will reduce levels of protection, close loopholes that allow for trade-distorting practices, clarify and strengthen rules governing implementation of commitments, foster growth and promote global food security and sustainable development. (WTO, 2000e: 1)

Undoubtedly, the sincerity of all parties taking place in the WTO agriculture negotiations is a questionable issue; however, this study does not purpose to question such an issue and is content with raising awareness on it. In the following, the position of the USA on the pillars of the negotiations is given with some details:

Market Access: The USA argues that its objective on this pillar is to maximize market access opportunities for all countries and to make the level and structure of tariff bindings more uniform in all products. The content of its proposal on market access is given as follows (WTO, 2000e: 2–3):

- Disparities in tariff levels among countries and tariff escalation should be reduced substantially or eliminated by ensuring effective market access opportunities for all products in all markets.
- The transitional special agricultural safeguard should be eliminated as defined in Article 5 of the AoA.
- All tariff-rate quotas should be subject to substantial increases through progressive implementation of annual commitments over a fixed period, and disciplines should be established to improve functioning of tariff-rate quotas.
- Exclusive import rights should be ended to ensure private sector competition in markets controlled by single desk importers, and WTO requirements

should be established to increase transparency in the operation of single desk importers.

Domestic Support: The USA aims to reduce trade-distorting domestic support so as to address disproportionate levels among the WTO Members and to simplify the discipline of this pillar. On the other hand, its proposal allows for support including income safety-net and risk management tools, domestic food aid, environmental and natural resource protection, rural development, new technologies and structural adjustment in order to ensure economically sustainable agricultural and rural communities (WTO, 2000e: 4). Also, the USA proposes the followings:

- Domestic support disciplines should be simplified into two categories: exempt support which has no, or at most, minimal trade-distorting effects; and non-exempt support which would be subject to a reduction commitment.
- The criteria for exempt support measures should be enhanced further by ensuring all exempt measures are targeted, transparent, and at most, minimally trade-distorting.
- Special consideration should be given for exempt support measures, which is essential to the development objectives of the developing countries.

Export Subsidies: The USA emphasizes four headings on this pillar: export subsidies, export state trading enterprises, export taxes and export credit programs. The details of these headings are given in the following, respectively (WTO, 2000e: 3–4):

- The levels of scheduled budgetary outlays and quantity commitments should be reduced to zero through progressive implementation of annual reduction commitments over a fixed period.
- Exclusive export rights should be ended to ensure private sector competition in markets controlled by single desk exporters; WTO requirements should be established for notifying a acquisition costs, export pricing, and other sales information for single desk exporters; and the use of government funds or

guarantees should be eliminated to support or ensure the financial viability of single desk exporters.

- The use of export taxes should be prohibited for competitive advantage or supply management purposes.
- Negotiations for export credit programs should be conducted in the OECD in fulfilment of Article 10.2 of the AoA, and disciplines should be applied to all users.

2.6.3. G-33²⁰

The G-33, also called Friends of Special Products in agriculture, is a coalition of the developing countries and some least developed countries which press for flexibility for developing countries to undertake limited market opening in agriculture. The Group has proposed the Special Safeguard Mechanism (SSM)²¹ which allows the imposition of an additional duty to support developing countries, and is divided into two variants as a volume-based SSM and a price-based SSM.²² In general terms, the G-33 proposes as follows (Hanrahan and Schnepf, 2007: 13):

- 20% of tariff lines of the developing countries should be designated as special products as a necessity of food security, rural development and other factors.
- 50% of the tariff lines so designated should be exempt from any tariff reduction commitment.
- An additional 15% of designated tariff lines should be exempted from tariff reductions if there are special circumstances such as low bound tariffs, high

²⁰ G33 Members are Antigua and Barbuda, Barbados, Belize, Benin, Bolivia, Botswana, Côte d'Ivoire, China, Congo, Cuba, Dominica, Dominican Republic, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, India, Indonesia, Jamaica, Kenya, Korea (Republic of), Madagascar, Mauritius, Mongolia, Mozambique, Nicaragua, Nigeria, Pakistan, Panama, Peru, Philippines, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Senegal, Sri Lanka, Suriname, Tanzania, Trinidad and Tobago, Turkey, Uganda, Venezuela (Bolivarian Republic of), Zambia, Zimbabwe.

²¹ See WTO, 2010.

²² In agriculture, higher safeguards duties can be triggered automatically when import volumes rise above a certain level (volume-based SSM), or if prices fall below a certain level (price-based SSM). On agricultural products, there are 39 WTO Members which have reserved the right to use a total of 6,156 special safeguards. For more information on the issue, see WTO, 2002b.

ceiling bindings, etc.

- A further 25% of designated special products should be subject only to a 5% reduction in bound tariff rates while the remaining tariff lines should be subject to cuts no greater than 10%.

2.6.4. G-20²³

Market Access: The G-20 proposal is based on a formula which requires progressivity leading to higher tariffs being cut more than lower ones; flexibility for both developed and developing countries to take into account certain sensitivities; neutrality which means not being biased against the tariff structures of certain Members; and proportionality for less than full reciprocity between developed and developing countries along the lines of the approach used during the UR (ICTSD, 2004: 2). In the following, some technical details of the proposal on this pillar are given by Hanrahan and Schnepf (2007: 12–13):

- Developed country tariffs should be cut by 45%-75% while these numbers should be 25%-40% for developing country tariffs.
- The developed country maximum agricultural tariff and developing country maximum tariff should be capped at 100% and 150%, respectively.
- The number of sensitive products should be limited and Special Safeguard Mechanism (SSM) should be maintained for the developing countries whereas it should be eliminated for the developed countries.
- LDCs should be exempted from reduction commitments on Special and Differential Treatment (SDT).

Domestic Support: The Group pays attention to a combination of cuts, disciplines and monitoring in order to achieve the objective of the Doha Declaration which requires substantial reductions in trade-distorting domestic support. The proposal

²³ G20 Members are Argentina, Bolivia, Brazil, Chile, China, Cuba, Ecuador, Egypt, Guatemala, India, Indonesia, Mexico, Nigeria, Pakistan, Paraguay, Peru, Philippines, South Africa, Tanzania, Thailand, Uruguay, Venezuela (Bolivarian Republic of), Zimbabwe.

of the G-20 on domestic support is listed as follows (Hanrahan and Schnepf, 2007: 12):

- The bound for overall trade-distorting domestic support (OTDS) in three bands should be cut 80% for the ones more than \$60 billion; 75% in the range of \$10-60 billion; and 70% for the ones less than \$10 billion.
- The amber box ceiling should be cut in three bands 80% for the ones more than \$25 billion; 70% in the range of \$15-25 billion; and 60% for the ones less than \$15 billion.
- *De minimis*²⁴ exemption allowances should be reduced so as to meet the cut in the overall bound.

Export Subsidies: The G-20 proposes to eliminate all forms of export subsidies over five year period. According to Hanrahan and Schnepf (2007: 12), the Group objects to new food aid disciplines which would compromise emergency humanitarian assistance.

2.6.5. G-10²⁵

Market Access: The G-10, which is led by Japan, Norway and Switzerland, is a group of mainly developed, net food importing countries. The Group takes a rather protectionist position on market access and its proposal includes lower tariff reductions and a large number of sensitive products. Additionally, Hanrahan and Schnepf (2007: 13) give the content of the proposal on market access as follows:

- Agricultural tariffs should be reduced by 27% to 45% for most products.
- The number of sensitive products would be 10% of tariff lines with linear cuts within tiers, and 15% of tariff lines would have flexibility for within-tier adjustments.

²⁴ On the formal website of the WTO, www.wto.org, the term of *de minimis* is defined as follows: “Minimal amounts of domestic support that are allowed even though they distort trade — up to 5% of the value of production for developed countries, 10% for developing.”

²⁵ G-10 Members are Chinese Taipei, Iceland, Israel, Japan, Korea (Republic of), Liechtenstein, Mauritius, Norway, Switzerland.

- There would be no cap on the highest agricultural tariff allowed.

Domestic Support: The G-10 argues that the reduction rate for the developing countries should be less than the cut for developed countries. The Group also proposes that there should be substantial reductions in *de minimis* domestic support for the developed countries. The G-10 considers the blue box as less trade-distorting than the amber box, and it claims that the blue box has already taken its place by some specific criteria relating to production-limiting programmes; however, transparency of the box should be increased. Other details of the G-10's proposal are as follows (Hanrahan and Schnepf, 2007: 13):

- The amber box ceiling should be reduced by 80% for support more than \$25 billion; by 70% for support in the \$15-\$25 billion range; and by 60% for support less than \$15 billion.
- The overall support ceiling should be reduced by 80% for support more than \$60 billion; 75% for \$10-\$60 billion; and 70% for support less than \$10 billion.

Export Subsidies: The Group has not submitted any proposal on this pillar of the negotiations.

2.6.6. Cairns Group²⁶

Market Access: As an essential element of a fair and market-oriented agricultural trading system, access to markets is particularly emphasized by Cairns Group. The Group suggests that all aspects of market access including tariff peaks, tariff escalation, tariff quota volumes and tariff quota administration should be considered in the negotiations (WTO, 2000a: 1). Liberalization of world agriculture markets should be based on better market access conditions, and should create perfect competition for both

²⁶ Cairns Group Members are Argentina, Australia, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Guatemala, Indonesia, Malaysia, New Zealand, Pakistan, Paraguay, Peru, Philippines, South Africa, Thailand, Uruguay.

developed and developing countries as well as the least developed countries. Cairns Group's negotiating proposal on market access includes:

Deep cuts to all tariffs using a formula approach which delivers greater reductions on higher level tariffs, including tariff peaks, and eliminates tariff escalation, and establishes maximum levels for all tariffs; additional steps to eliminate tariffs and other duties and charges, where possible; tariff reduction commitments on the basis of final bound tariffs; additional provisions to make tariff regimes simpler and more transparent; no bound duties containing specific minimum entry price schemes; tariff commitments expressed in ad-valorem terms; substantial increases in all tariff quota volumes; . . . elimination of access to the special agricultural safeguard mechanism contained in Article 5 of the Agreement on Agriculture. (WTO, 2000a: 2)

Domestic Support: The Group believes that high levels of trade-distorting domestic support continue to corrupt world agricultural markets. These supports mainly originate from some wealthy developed countries, which puts developing and the least developed countries in a difficult position. Hence, major reductions in domestic support are seen necessary, and the Cairns Group negotiating proposal on domestic support includes the followings (WTO, 2000b: 2):

- A formula approach should be used for major reductions in trade and production-distorting domestic support, which would also include AMS and blue box. The time period of this reduction formula will be agreed during the negotiations.
- During the first year of the implementation period, a substantial downpayment should be included in the formula, and the formula should result in commitments on a disaggregated basis so that trade and production-distorting support may be reduced for all agricultural products.
- The basic and policy-specific criteria for green box support, which is not subject to reduction and elimination, should be reviewed so that all such domestic support meets the fundamental requirements of no trade-distorting effects of effects on production.

Export Subsidies: Cairns Group argues that export subsidies are the most trade-distorting agricultural policies which damage both developed and developing countries,

and the use of export subsidies harms local production in food-importing countries (WTO, 2000c: 1). The Group finds no justification for export subsidies to continue in agriculture, and proposes the elimination and prohibition of all forms of export subsidies for all agricultural products, which was realized for industrial products by the GATT more than 40 years ago.

2.6.7. African Group²⁷

Market Access: Africa still faces substantially higher tariffs for dynamic and high value-added products in major markets despite the exact opposite situation in commodity and raw material exports which face preferential tariffs. In their joint proposal on agriculture, African Group proposes that “tariff peaks facing developing countries’ exports should be substantially reduced” while “tariff escalation should be substantially reduced in developed economies” (WTO, 2001a: 2–3). Moreover, the developed countries are required to provide tariff-free and quota-free market access for exports of LDCs in the same proposal. On the other hand, the Group claims that the developing countries should have the right to maintain the current level of bound rates on key staples.²⁸

Domestic Support: According to African Group, the total support figure in OECD countries in 1999 indicates that the use of domestic support measures is not fair, and it creates a huge imbalance among Members (WTO, 2001a: 3). In the light of this fact, the Group proposes that “the basic and policy-specific criteria for ‘green box’ support should be tightened to ensure no, or at most, minimal, distorting effects on trade and production”. The proposal continues as follows:

The Agreement on Agriculture should be reviewed so as to: (a) increase flexibility in the use by developing countries of the *de minimis* measures; (b) allow developing countries with zero AMS to provide such support if required

²⁷ African Group Members are Angola, Benin, Botswana, Burkina Faso, Burundi, Côte d’Ivoire, Cameroon, Cape Verde, Central African Republic, Chad, Congo, Djibouti, Egypt, Gabon, Gambia, Ghana, Guinea, Guinea Bissau, Kenya, Lesotho, Madagascar, Malawi, Mali, Mauritania, Mauritius, Morocco, Mozambique, Namibia, Niger, Nigeria, Rwanda, Senegal, Sierra Leone, South Africa, Swaziland, Tanzania, Togo, Tunisia, Uganda, Zambia, Zimbabwe.

²⁸ The current level of bound rates for developing countries requires ‘no reduction’ on key staples.

under their development programmes; and (c) provide that input and investment subsidies available to low-income farmers and to resource-poor farmers will be non-actionable. (WTO, 2001a: 4)

Export Subsidies: African countries have continuous difficulties in international, regional and even national markets due to subsidised imports. African Group suggests that export subsidies provided by the developed countries should be substantially and progressively reduced, and these subsidies should eventually be eliminated (WTO, 2001a: 3). Additionally, the Group proposes that the development of agreed disciplines to govern the provision of export credits, export credit guarantees and insurance programmes requires urgent action, but special conditions and needs of NFIDCs and LDCs should be taken into account while achieving the action.

Table 13: *Comparison of proposals for domestic policy reform: USA, G-20, EU and G-10*

	Highest Tier	2 nd Tier	3 rd Tier	Developing Countries	LDCs
USA Proposal^a	EU, Japan	USA	Other Developed		
Amber Box Cuts	83%	60%	37%	n.s.	n.s.
— <i>De Minimis</i> cuts	Bound at 2.5% of TVP	Bound at 2.5% of TVP	Bound at 2.5% of TVP	n.s.	n.s.
— Blue Box Ceiling	Bound at 2.5% of TVP	Bound at 2.5% of TVP	Bound at 2.5% of TVP	n.s.	n.s.
Overall Ceiling Cuts	75% (53% Japan)	53%	31%	n.s.	n.s.
G-20 Proposal	EU, Japan	USA	Other Developed		
Amber Box Cuts^b	80%	70%	60%	n.s.	n.s.
Overall Ceiling Cuts^b	80%	75%	n.s.	n.s.	n.s.
EU Proposal	EU (Japan?)	USA (Japan?)	Other Developed		
Amber Box Cuts^c	70%	60%	50%	n.s.	No cuts
Overall Ceiling Cuts	70%	60%	50%	n.s.	No cuts
— <i>De Minimis</i> cuts	Bound at 1% of TVP	Bound at 1% of TVP	Bound at 1% of TVP	n.s.	No cuts
— Blue Box Ceiling	Bound at 5% of TVP	Bound at 5% of TVP	Bound at 5% of TVP	n.s.	No cuts
G-10 Proposal	EU, Japan (\$25 +)	USA (\$15 - \$25)	Other Developed (\$0 - \$15)		
Amber Box Cuts	80%	70%	60%	n.s.	n.s.

Notes: n.s.: not specified

^a The USA proposes different value ranges for amber box and overall ceilings; however, the within-tier country composition remains unchanged under the different ranges: 1st tier: EU and Japan; 2nd tier: USA; 3rd tier: rest-of-world.

^b The G-20 is also calling for product-specific caps both in the overall AMS and the blue box.

^c The EU also proposes commodity-specific amber box spending limits.

Source: Hanrahan and Schnepf, 2007: 14.

Table 14: *Doha Round negotiations market access proposals: G-10, G-20, EU and USA*

Developed Countries	G-10			G-20		EU		USA	
Tiers % and Within-Tier Cuts	Tiers %	Linear	Flexibility	Tiers %	Linear	Tiers %	Linear	Tiers %	Progressive
1	0 ≤ 20	27%	32% ± 7%	0 ≤ 20	45%	0 ≤ 30	35% (20%-45%)	0 ≤ 20	55-65%
2	> 20 ≤ 50	31%	36% ± 8%	> 20 ≤ 50	55%	> 30 ≤ 60	45%	> 20 ≤ 40	65-75%
3	> 50 ≤ 70	37%	42% ± 9%	> 50 ≤ 70	65%	> 60 ≤ 90	50%	> 40 ≤ 60	75-85%
4	> 70	45%	50% ± 10%	> 70	75%	> 90	60%	> 60	85-90%
Tariff Cap %	No Cap			100%		100% (no cap for sensitive products)		75%	
Estimated Average Tariff Cut	25-30%			54%		46% (39%)		75%	
Sensitive Products	15% w/linear cuts; 10% w/flex cuts			1% of total tariff lines and subject to capping		8% of tariff line		1% of total tariff lines	
Sensitive Products & TRQs				Minimum access level = 6% of annual domestic cons in base period		Small TRQ expansion on small # of products		Expanded TRQs	
Special Products	Not defined			Not defined		Not defined		Not defined	
Special Safeguard Mechanism (SSM)				Limited to developing countries		Available for all members for selected commodities			
Geographical Indicators (GIs)						Extend TRIPS, Art. 23 to all products		Existing trademark laws are sufficient	
Developing Countries	G-10			G-20		EU		USA	
Special & Differential Treatment (SDT)	More flexibility on sensitive products			2/3 treatment in tiers; ≤ 2/3 treatment in cuts		Higher thresholds for top tiers; 2/3 lower in cuts		Slightly smaller cuts and longer phase-in periods	
1	0 ≤ 30	27%	32% ± 7%	0 ≤ 30	< 30%	0 ≤ 30	25% (10%-40%)	0 ≤ 20	TBD
2	> 30 ≤ 70	31%	36% ± 8%	> 30 ≤ 80	< 40%	> 30 ≤ 80	30%	> 20 ≤ 40	TBD
3	> 70 ≤ 100	37%	42% ± 9%	> 80 ≤ 130	< 50%	> 80 ≤ 130	35%	> 40 ≤ 60	TBD
4	> 100	45%	50% ± 10%	> 130	< 60%	> 130	40%	> 60	TBD
Tariff Cap %	No Cap			150%		150%		100%	
Sensitive Products	Not defined			1.5% of total tariff lines		Not defined		Not defined	
LDCs	G-10			G-20		EU		USA	
LDC Treatment	Not defined			Same as EU plus exemption from tariff reduction commitments		All developed countries should allow full duty-free across for EBA		Not defined	

Notes: EBA, Everything But Arms. TBD, To Be Determined. TRQ, Tariff Rate Quota.

Source: Hanrahan and Schnepf, 2007: 15.

CHAPTER III

THE EU AS ONE OF THE LEADING ACTORS IN THE NEGOTIATIONS

3.1. Overview of the EU's CAP

In Europe, it was quite hard times during and after the Second World War because of food shortages. In 1960, the six founding Members of newly established EC adopted the CAP, which came into force in 1962. And, from then on, the CAP has always been the most discussed policy area of the EU. Initially, internal factors were driving forces behind these discussions; however, recently, external factors such as the WTO and other actors of the global world have begun to take considerable roles in them (see 3.3.2.2.). These discussions often inevitably resulted in some reforms which are detailed in the subsequent section.

The question is that why the EU needs to support agriculture. Although there are different reasons for supporting agriculture in different places and at different times, Article 39.1 (33.1) of the Treaty of Rome²⁹ gives five objectives for the CAP:

- to increase agricultural productivity by promoting technical progress and by ensuring the rational development of agricultural production and the optimum utilization of the factors of production, in particular labour;
- thus to ensure a fair standard of living for the agricultural community, in particular by increasing the individual earnings of persons engaged in agriculture;
- to stabilize markets;
- to assure the availability of supplies;
- to ensure that supplies reach consumers at reasonable prices.

In order to achieve these objectives, the CAP is funded by the European

²⁹ Agriculture was covered by Articles 38-47 in the Treaty of Rome (1957). However, the Articles were renumbered with the Treaty of Amsterdam (1997), and Articles 32-38 deals with agriculture now. The numbers given in brackets refer to these Articles.

Agricultural Guidance and Guarantee Fund (FEOGA).³⁰ While the Guidance section deals with structural measures, the Guarantee Section deals with the measures that influence the incomes of farmers. In addition to this, Ackrill (2000: 33) notes that the CAP has three pillars of principles used for the objectives given above. The first of these is *a single market* which allows the free circulation of goods between countries and implies common prices and stable exchange rates. The second is *community preference* which means protection against lower priced imports and exports from other EC countries having first access to partner markets. The last one is *financial solidarity* which refers to sharing the financing of the policy, with a common system of collecting revenues and disbursing funds.

Note that the EU chose stable prices instead of common prices in order to create market stability in the context of a single market as one of the pillars of the CAP. Since community preference corroborates the thought of protection, it often takes place as a controversial issue in the WTO agriculture negotiations, and it starts to be reduced only with the UR. Financial solidarity seems to be permanent part of the CAP, unless it shakes the EU budget up. Although these pillars of the CAP are not part of the Treaty, they express basic principles and are important in shaping the CAP. Therefore, they are inseparable part of the WTO agriculture negotiations for the EU as subtitles under the main pillars of the negotiations.

Additionally, the primary legal authority of the EU to act in particular policy areas is referred as policy competence, and the policy competencies of the EU are divided into three categories (Sbragia and Stolfi, 2008: 121):

1. *Exclusive competencies*: External trade in goods and some services, monetary policy, customs and fisheries.
2. *Shared competencies*: Environmental policy, consumer protection, mergers and acquisitions, development aid, transport policy, visas, asylum and immigration.

³⁰ This fund is usually known by its French acronym FEOGA: Fonds Européen d'Orientation et de Garantie Agricole.

3. *Member state competencies*: Education, culture, employment, public health, research, social and urban policy, and most foreign and security policy.

However, Sbragia and Stolfi (2008: 129) suggest that the line between shared competencies and Member state competencies is blurred; therefore, it is not easy to place some policies in one of these categories. In despite of this obvious fact, the EU has almost exclusive competence for the CAP which takes the lion's share from the EU budget.³¹ For instance, the CAP received €51 billion (41% of the total budget) in 2006 while €44.5 billion (37%) for the cohesion, €5.5 billion (5%) for the external (including aid), €9.4 billion (8%) for the internal market, €6.7 billion (6%) for the administration and €4 billion (3%) for the other were spent in the same year. During the WTO agriculture negotiations, the EU is generally criticised for allocating such a great share to its CAP by other Members of the WTO which claim that the CAP involves trade-distorting elements.

Lastly, the EU speaks with one voice in international trade policy negotiations for a single external tariff applied to non-EU producers, and the European Commission has the power to act as a sole negotiator for the Community in world trade talks. Nevertheless, it is not the Commission which decides the EU's position in these negotiations, but the Member states.

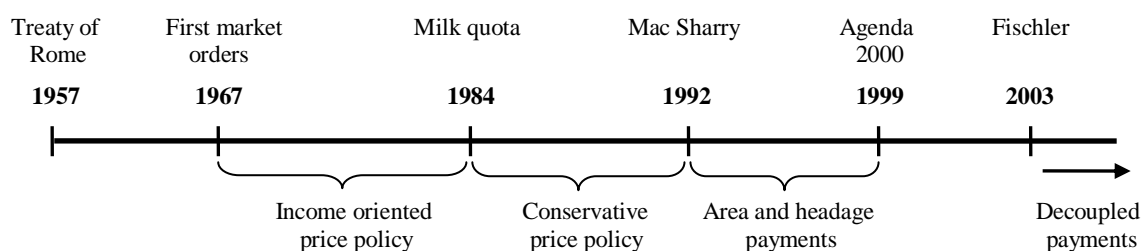
3.2. The Evolution of the CAP

The CAP of today is certainly different from the CAP of the 1960s. The early CAP emphasized on "encouraging better productivity in the food chain, so that consumers had a stable supply of affordable food, but also to ensure that the EU had a viable agricultural sector" (European Commission, 2004: 6). Various subsidies and guaranteed prices were offered to the EU farmers in order that they could continue to

³¹ The agricultural expenditure is financed by two funds: the European Agricultural Guarantee Fund (EAGF) and the European Agricultural Fund for Rural Development (EAFRD). The EAGF finances direct payments to farmers and measures to regulate agricultural markets such as intervention and export refunds, while the EAFRD finances the rural development programmes of the Member States. For more information on financing the CAP, see http://ec.europa.eu/agriculture/fin/index_en.htm.

produce. Moreover, financial assistance was provided to ensure that farms could improve themselves in technology and management skills. However, self-sufficiency of the EU by using all these facilities went beyond the limit and the CAP resulted in permanent surpluses in 1980s. Exportation of the surpluses with the help of subsidies both harmed the budget of the EU and distorted some world markets. As a result, the CAP was at the target of criticism coming from main internal and external triggers; the EU citizens (i.e. consumers and taxpayers) and the WTO (especially the USA and developing country Members), respectively. In the face of the criticism, the EU had to get into the action to change the CAP, and it did so by taking considerable steps for the CAP reform (see Figure 2).

Figure 2: *Time line of the CAP development*



Source: Serhiy and Oleg, 2005: 2.

The introduction of the milk quota in 1984 was the first CAP reform. The reason of putting the milk quota into place was to control dairy production and the EU expenditures. Although it was effective in limiting milk production, some part of the production still had to be exported by means of export subsidies.

By taking the changing conditions of the early 1990s into consideration as well as the criticism mentioned above, additional objectives added for the CAP (Howarth, 2000: 4–5):

- to maintain the maximum numbers of farmers on the land and preserve rural communities;
- to preserve the countryside and the environment;
- to avoid the build-up of food mountains;
- to maintain good international trading relations;

- to fulfil the 1993 GATT agreement;
- to ‘decouple’ farm income support from production.

In 1992, the Mac Sharry Reform was accepted as a new starting point for these additional objectives of the CAP. It was the beginning of direct payments³² instead of the price support, and brought price cuts for some agricultural products such as meat and cereals in order to ensure a more competitive market in the EU and international arena. Moreover, environment became more of an issue during this reform, and farmers were given new subsidies for their good environmental practices.

The Agenda 2000 was signed in 1999 and added a new meaning to the CAP by introducing the term of multifunctionality, which would represent the second pillar within the CAP.³³ Also, some measures were introduced to transfer funds from the first pillar to the second pillar for a more multifunctional agriculture in the EU. In the Agenda 2000, agro-environment schemes and support to the least favoured areas as well as investment assistance were emphasized to enhance productivity and competitiveness.

Note that the introduction of co-financing for the CAP was the proposal of German presidency for the Agenda 2000, which was thought as an opportunity for eastern enlargement and ever-escalating cost of the CAP. It would require the EU Members to finance a quarter of their agricultural subsidies as it is in the cohesion policy which financed on a 50-50 basis. Peet and Ussher (1999: 4) claim that paying different levels of income support around the EU might actually be a good idea by saying “why should a farmer in the poor Peloponnese, for instance, get the same income subsidy as one from wealthy Bavaria?” Currently, the instrument of co-financing is used in rural development and structural policies. In this system, the EU itself contributes a maximum of 50% or 55%³⁴ while the remainder must be financed from national or local funds (Social and Economic Council, 2006: 9). Table 15 shows how co-financing the

³² Direct payments were based on the area on which farmers plant certain crops. Also, farmers were required to set-aside a certain amount of their land and to limit the number of their animals per hectare so as to receive these payments.

³³ The CAP is made up of two pillars: (1) the single common market organisation and direct aid to farms; (2) rural development policy.

³⁴ The EU contribution to co-financing system might be 75% to 85% for the convergence regions.

CAP would have affected each Member, and the positions are predicted by economic interest. As it is clear in the table, France objection to it is based on the fact that it would cost the French dearly while it would benefit the Germans.

Table 15: *Winners and losers from co-financing the CAP (annually by 2006)*

Winners	Gain (euro million)	Position	Losers	Loss (euro million)	Position
Germany	678.2	✓	France	-648.5	XX
United Kingdom	429.6	✓✓	Spain	-528.2	X
Netherlands	168.8	✓	Greece	-451.7	XX
Italy	134.5	✓	Ireland	-195.8	X
Belgium	110.7	✓✓	Denmark	-100.6	X
Sweden	62.3	✓✓	Portugal	-23.9	X
Austria	43.8	✓			
Finland	22.8	-			
Luxembourg	11.6	✓			

Notes: ✓ support; ✓✓ support strongly
 X oppose; XX oppose strongly
 - neutral, open or intermediate position

Source: Elliott and Heath, 2000: 46.

Lastly, Fischler Reform was a turning point in terms of decoupling direct payments to farmers, which take place under the name of Single Farm Payment (SFP). The SFP may be at the farm level or at the regional level depending on each country's preference, and leaves farmers free to produce according to the demands of the market. The main condition of the SFP is cross compliance which requires farmers to comply with a number of requirements such as keeping their land in good agricultural condition and maintaining minimum environmental standards.

All these reforms made for a more sustainable agricultural policy in the EU do not mean that the CAP has completed its evolution. Zahrnt (2011: 2) suggests that 2011 will be decisive for the reform of the EU's CAP, and the Members as well as the European Parliament (EP) will move from their initial positions reflecting the opinions

of the agricultural policy-making community to more representative stances which are coordinated with policy makers in charge of the environment, the economy and public finances. He addresses the CAP reform under the question of what the size of the CAP budget should be. As an answer to this question, Zahrnt (2011: 4) claims that target levels must be established for the objectives of the CAP which are ambiguous. He adds that “farming practices must be responsive to the local context, such as agronomical conditions, biodiversity, water quality and availability, and labor costs.” Lastly, Zahrnt emphasizes that the CAP budget will vary significantly due to the share of the costs which implementing Members will have to contribute themselves. All these facts clearly indicate that the evolution of the CAP is a continuous process which European policy makers should manage well.

3.3. The EU’s Position in Three Pillars of the Negotiations

There is no doubt that the EU is one of the leading actors of world trade, and this driving factor locates the Union in a special place in the WTO negotiations. If the WTO may be described as a big plane with two wings, the EU surely makes up one of these wings with the USA while another is shared and completed by other Members. For a sustained and continued economic growth in both developed and developing countries, the EU argues that further liberalization for agricultural products is an absolute must, and raising standards of living may be possible through expansion of trade in a liberal environment.

Additionally, it is the CAP which makes the EU so popular in the WTO agriculture negotiations. However, the CAP is not the only issue discussed during the negotiations. In order to make out the EU’s place in the WTO, three pillars of the negotiations are detailed as follows:

Market Access: As one of the largest exporters in the world, the EU believes that the objective should be to increase market access to the benefit of all WTO Members. Consistent with this position, the EU proposes that “the formula for tariff reductions should be a commitment as to the overall average reduction of bound tariffs

and a minimum reduction per tariff line, as was the case in the Uruguay Round” (WTO, 2000d: 2). The EU also expects a set of rules and disciplines to be defined to increase the transparency, the reliability and the security of the management of TRQs. For an improved market access, the EU lastly proposes as follows:

. . . that appropriate provisions be implemented (a) to guarantee effective protection against usurpation of names for agricultural products and foodstuffs; (b) to protect the right to use geographical indications or designations of origin; and (c) to guarantee consumer protection and fair competition through regulation of labelling. (WTO, 2000d: 2)

Domestic Support: Although the EU believes that the existing arrangements under the AoA form the right framework for domestic support issues, the Union is also disposed to negotiate further reductions in domestic support on condition that the concept of the blue and green boxes will continue (WTO, 2000d: 3–4). Other points of the EU proposal on domestic support are listed as follows:

- The reform process should be maintained by further reductions in the Total AMS starting from the Final Bound Commitment level.
- The criteria to be met by measures of the green box should be revisited to make certain of minimal trade distortion.
- Specific discipline should be applied to variable amber box subsidies which increase export performance by providing compensation for variations in market prices.

Export Subsidies: The EU insists that export subsidisation should be treated on an equal footing because this is the only way to negotiate further reductions in export subsidies. While the EU proposes that “officially supported export credits in agriculture should be covered by specific WTO rules and disciplines, notably by integrating the rules and disciplines which would have been agreed in other international fora into the AoA”, it also emphasizes the abuse of food aid which should be prevented through the revision of the rules of food aid in Article 10 of the AoA (WTO, 2000d: 3). A genuine food aid should be clearly defined so that it does not damage local food production and marketing capacities of the recipient countries. Lastly, the EU proposes that the

operation of STEs should be subject to mandatory notification in respect of acquisition costs and export pricing in order that unfair trade practices in exports may be abolished.

3.4. The Factors Determining the EU's Position in the Negotiations

There are various factors which are influential on the EU's position in the WTO agriculture negotiations. This study divides these factors into two categories: internal and external. Note that there is not a clear line between the internal and external factors as they may easily affect each other, and reasons of the internal factors may mingle with the results of the external factors or vice versa. In the following, each factor type is evaluated with some basic details.

3.4.1. Internal Factors

First of all, the CAP has always been an expensive policy area for the EU since it was brought into existence. Year by year, the EU has had more difficulties to afford the CAP which has caused a visible imbalance in terms of resource allocation. Inevitably, the sustainability of such an agricultural policy has been questioned and the answers have often been found in some reforms detailed above. So, the main internal factor determining the EU's position in the negotiations is undoubtedly the budget of the EU, a significant part of which is allocated to the CAP. As the EU is not willing to insist on an unsustainable agricultural policy taking the lion's share from the budget, it tries to comply with the WTO commitments which require the Members to eliminate or diminish trade distortive domestic support and export subsidies. However, it does not mean that the EU leaves its farmers alone in aspect of supporting them. Blue box and the term of multifunctionality³⁵ are still instruments used most intensively by the EU. The outputs of a multifunctional agriculture might be categorized as commodity and non-commodity outputs as given in Table 16.

³⁵ Multifunctionality is defined as the idea that agriculture has many functions in addition to producing food and fibre, e.g. environmental protection, landscape preservation, rural employment, food security (see <http://www.wto.org>).

Table 16: *Outputs of a multifunctional agriculture*

Commodity outputs		Non-commodity outputs	
Food and fibre	Rural tourism	Food security/safety	Rural landscape
Transformation of products	Taking care of the elderly or disabled	Rural way of living/traditions	Biological diversity
Other marketable Products		Soil conservation	Health and other non-commodity products

Source: Huylenbroeck and Durand, 2003: 4.

Secondly, the enlargement has its disadvantages as well as its substantial advantages for the EU. Although each new Member expands and strengthens the EU's influence both on the region and on the world politics, they also lay a new burden on the EU. Agricultural policy is the area which gets the biggest share from the burden of these new Members since the principles of the CAP are also applied to them. However, another truth is that new Members do not get the same benefits from the CAP as the old ones though they depend much more on agriculture than the latter (see 3.5. and Table 17). Briefly, the enlargement of the EU is another internal factor which highly determines its position in the WTO agriculture negotiations.

Thirdly, the Members such as France, Spain and Greece are favour of the CAP due to their considerable gain from it whereas some Members such as Germany, UK and Netherlands strongly oppose to allocate a great deal of resources to the CAP. These Members are certainly a driving internal factor for the position of the EU in the negotiations. The idea of co-financing the CAP also arose due to their insistence on the issue, and it began to be used in rural development and structural policies as a part of the Agenda 2000 (see 3.2. and Table 15). Although it was originally thought as an opportunity for eastern enlargement and ever-escalating cost of the CAP, it also contributed to strengthen the EU's hand during the WTO agriculture negotiations.

It is possible to specify many internal factors such as growth and employment³⁶, domestic politics, environment, agriculture lobbies, interest groups, consumers and taxpayers which affect the EU's position in the negotiations more or less.

3.4.2. External Factors

The EU's current WTO commitments build up the key point of the external factors. Although some do not agree with the thought that the CAP reforms of 1990s and later are products of the pressure created on the EU by the WTO, the timing of these reforms as well as their content suggest that the WTO is a significant trigger for the CAP (see 3.3.). So, it would not be wrong to claim that the WTO directly affects the position of the EU in the agriculture negotiations.

The actors such as the USA, Cairns Group and some developing countries in the negotiations might be evaluated as individual external factors. The conflicts of interest or consensuses between the EU and these actors are influential on the EU's position. The EU makes concessions or requests on the pillars of the negotiations according to its relationships with them. It is also possible to witness some pressures on the EU from these actors for its CAP. For instance, countries such as Australia put pressure on the CAP externally through the GATT and try to explain to their customers how much the CAP costs them (Ackrill, 2000: 206).

Lastly, the factors such as international conjuncture, competition environment, bilateral agreements and ever-growing agriculture technology might be evaluated as external ones affecting the EU's position in the WTO agriculture negotiations. However, unquestionably, external factors are not as dominant as internal ones for the EU, which is used to act independently from the others by exhibiting a *sui generis* line, although the former has recently come to the forefront more than the latter.

³⁶ See the Treaty of Lisbon which was signed on 13 December 2007 and entered into force on 1 December 2009 after being ratified by each of the EU's 27 Members.

3.5. The Impact of New Members on the EU's Transformation

Agricultural policy settings of the EU were substantially affected by the EU accession agreements, and the impact was perceived intensely just before the accession in 2004. Discussions and doubts on consistency of the CAP with enlargement and the WTO increased about this time. Note that agriculture negotiations with candidate countries largely based on equal treatment and equal support for the EU farmers.

As for WTO commitments, Ciaian and Swinnen (2008: 78) divide new Members (except for Malta and Cyprus) into two groups: the first group includes the Czech Republic, Hungary, Poland, Romania, and the Slovak Republic, which made commitments as part of the UR negotiations (pre-UR Members), and the second group includes Bulgaria, Estonia, Latvia, Lithuania, and Slovenia, which joined the WTO after the UR negotiations (post-UR Members). They argue that the implications of joining before or after the UR agreement are substantial. These countries, which were Members of the GATT prior to the UR, were leading more protectionist and less transparent policies. On the other hand, countries joining the WTO after the UR already had more liberal and more transparent policies as a starting position. Ciaian and Swinnen (2008: 79) claim that “pre-UR WTO Members were also able to negotiate nonzero commitments on export subsidies for major commodities”. However, Bulgaria (see Table 12) was the only country among the post-UR group which joined the WTO with nonzero export-subsidy commitments for its main exports.

A known fact is that the benefits of the CAP are also not distributed equally across Member states. New Member states³⁷ depend much more on agriculture than older Members³⁸. However, the numbers given in Table 17 clearly prove that the largest recipients of the CAP are not these new Members, but older ones.

³⁷ Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, the Slovak Republic and Slovenia joined the EU in 2004 while Bulgaria and Romania became Member of the EU in 2007.

³⁸ Older Members (EU-15) are Austria, Belgium, Denmark, Finland, France, Germany, Greece Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden and the United Kingdom.

Table 17: *CAP spending breakdown*

Member States	Percentage of agricultural expenditure (rounded, 2005)	Member State	Percentage of agricultural expenditure (rounded, 2005)
France	20	UK	9
Germany	13	Greece	6
Spain	13	Ireland	4
Italy	9	Poland	3

Source: Sbragia and Stolfi, 2008: 130.

3.6. Consistencies and Inconsistencies with the WTO

As mentioned before, international trade negotiations have impact on agricultural policy reforms of the states taking place in the negotiations, and the EU receives its share when viewed from this aspect. Such impacts inherently create some inconsistencies with the WTO as the EU is expected to adapt new policy reforms in its own political system. In the following, Table 18 shows the WTO challenges to the CAP. Yet, the reforms of the CAP (i.e. the Mac Sharry Reform, Agenda 2000 and Fischler Reform) have already improved the EU's position in the WTO agriculture negotiations by bringing the CAP in line with the EU's current commitments under the UR AoA.

Table 18: *WTO challenges to the CAP*

Title	Complainants and DS number	Comments
Approval and marketing of biotech products	Argentina (293), Canada (292), US (291)	Dates from May 2003. Press reports indicate that the panel will find that the EU did delay the approval process, but report not expected until September 2006.
Bananas III	Ecuador, Guatemala, Honduras, Mexico, US (27) (See also DS16, 105 & 158)	A continuation of old GATT squabbles. Process started February 1996. Panel reported May 1997 (Appellate Body September 1997). Found that the EU's import regime contravened WTO provisions. The Lomé waiver did cover tariff preferences, but not import quota mechanisms. Because of delays in changing the EU regime, an arbitration report allowed the complainants to retaliate against EU economic interests. Despite lodging the details of a mutually agreed solution with Ecuador and the US in 2001, Honduras, Nicaragua and Panama are still unhappy about the level of tariffs applied from 1 January 2006. DS16, 105 and 158 were requests for consultations that did not lead to the establishment of panels.
Butter	New Zealand (72)	Consultations requested March 1997. Mutually agreed solution notified in November 1999, days before the panel reported. The issue was whether or not preadable butter could be included in the tariff rate quota (TRQ) granted for New Zealand butter.
Cereals (9); and Duties on imports of grains (13)	Canada (9) and US (13)	June/July 1995, Canada and US unhappy at the way import taxes on cereals were to be applied in the new regime. US complaint had potentially broader product coverage. Settled.
Chicken cuts	Brazil (269), Thailand (286)	Dates from October 2002. Panel report May 2005, Appellate Body September 2005. Issue was the EU's tariff classification of salted chicken pieces. EU found at fault, and Arbitrator set 27 June 2006 as the final date for implementing the ruling.
Export subsidies on sugar	Australia (265), Brazil (266), Thailand (283)	Dates from 2002. Panel report October 2004, supported by Appellate Body April 2005. Found that the EU's C sugar exports, and its 're-export' of ACP sugar, did infringe its export subsidy constraints. Arbitration panel set date of 22 May 2006 to bring EU exports into conformity with the ruling. EU sugar reform (agreed November 2005) more or less did this.
Hormones (and EU's counter claim against continued suspension)	Canada (48), US (26); and counterclaims against Canada (321) and the US (320)	The beef hormones case formally dates back to January 1996, but it had been an issue in the old GATT. The panel (August 1997) and Appellate Body (January 1998) found the EU's measures infringing the SPS Agreement. The EU was unable/unwilling to make its rules WTO compliant, and so trade sanctions against the EU were authorised from July 1999. The EU claims that Directive 2003/74/EC does make the EU compliant, and so it has launched counterclaims against Canada and the US. The report is in October 2006.

Title	Complainants and DS number	Comments
Measures affecting the exportation of processed cheese	US (104)	In October 1997 the US requested consultations on the EU's grant of export subsidies on processed cheese. No action.
Measures affecting imports of wine	Argentina (263)	In September 2002 Argentina requested consultations on various mandatory measures concerning oenological practices affecting imports of wine. No further action is recorded.
Poultry	Brazil (69)	In February 1997 Brazil requested consultations on the EU's implementation of a TRQ on poultry cuts. The Panel report of March 1998 did not substantiate Brazil's claim. Brazil went to the Appellate Body, which reversed some of the findings. In October 1998 the parties announced they had reached a mutually agreement on the implementation of the Appellate Body's findings.
Rice: I) Duties on imports of rice (17) and Implementation of the Uruguay Rounds Commitments concerning rice (25); II) Restrictions on certain import duties on rice (134); and III) Rice (against Belgium: 210)	Thailand (17); Uruguay (25); India (134); US (210)	17 and 25 were 1995 requests for consultations on the implementation of the Uruguay Round agreements, which led nowhere. The issues were similar to those raised by Canada (9) and the US (13) on the import of other cereals. The Indian complaint (134) of May 1998 concerned a 'so-called cumulative recovery system (CRS), for determining certain import duties on rice, with effect from 1 July 1997. India contended that the measures introduced through this new regulation will restrict the number of importers of rice from India'. Again, no further action is recorded. In Case DS210 the US (in October 2000) requested consultations with Belgium over the latter's administration of import duties. A panel was established in June 2001, but the US almost immediately requested a suspension of its activities, and in December 2001 the parties announced a mutually agreeable solution.
Tariff-rate quota on corn gluten feed from the US	US (223)	January 2001 request for consultations on the EU's imposition of a TRQ. No action.
Trademarks and Geographical Indicators	Australia (290), US (174)	US complaint dates back to 1999 (Australia 2003). Panel reported March 2005. Found the EU's registration procedures infringed the WTO's national treatment provisions. EU amended its procedures from 31 March 2006; but both Australia and US claimed that the EU had not met their concerns, and invited the EU to make further revisions.

Note: DS, Dispute Settlement

Source: Daugbjerg and Swinbank, 2006: 18–19.

3.7. The Impact of the WTO Agriculture Negotiations on the CAP

It is not proper to claim that the WTO and the EU are very similar constitutions. However, they share a number of common features such as being established primarily to promote trade between states. The way in which they are markedly different is that the EU is a regional entity while the WTO is a broad multilateral organization. Although there are some structural similarities between them, decision-making systems and enforcement powers differ from each other. Therefore, until now, it has not been possible for the WTO to achieve the success of the EU which has got it for its internal market. Nevertheless, it does not change the fact that the EU faces difficulties during the WTO agriculture negotiations despite its unique experiences with its internal market. Another fact is that the EU's CAP is affected by these negotiations although the EU is a key actor in the WTO.

As for other Members of the WTO, the EU has had to accommodate its agricultural policy (i.e. the CAP) in compliance with its current WTO commitments which are based on the UR AoA. Though Ray Mac Sharry, former Agriculture Commissioner, claims that agricultural reforms are done on the basis of the commitment to the CAP and to its basic principles of a single market, community preference and financial solidarity (Daugbjerg and Swinbank, 2007: 2), the WTO is undoubtedly integral part of the international pressure on the CAP. The Mac Sharry Reform (1992), Agenda 2000 (1999) and Fischler Reform (2003) detailed above were the results of such a pressure, and they were also driven by the crises as it was in the past.

Daugbjerg and Swinbank (2009: 128) also put emphasis on whether the UR is an important trigger for reform of the CAP, and they refer some basic arguments. Although some claim that it does not have a great importance, some disagree with this hypothesis. Rieger (2000: 193), for example, simplifies the matter arguing that "it was neither the state of international agricultural markets nor the pressure applied by the US government that convinced European policy makers to take the inclusion of agriculture in the UR more seriously". He suggests that the mounting budget costs of the CAP were

much more important for the EU to take such a step of courage.³⁹ On the other hand, Coleman and Tangermann (1999: 386) claim that “the timing of the CAP reform and the very logic of the reforms introduced represent direct responses to international pressures emanating from the GATT negotiations”. Another remark, which gives weight to this claim, comes from Stefan Tangermann, the Director for Trade and Agriculture at OECD. Tangermann (2004: 40) assesses the UR as a great success in terms of agreeing international rules and commitments for agricultural policy making in which the WTO has become a relevant factor, and adds that “The Uruguay Round has not only resulted in new legal rules and quantitative reduction commitments in the areas of market access, domestic support and export competition. It has also affected the nature of the policy debate in agriculture.”

With a more realistic perspective, the European Commission (1998: 3) puts an end to all these discussions stating that the EU has to lay down its agricultural policy in a way that satisfies its own interests and takes a realistic view of developments in the international context, with which it implies the WTO negotiations ahead.

³⁹ In following edition of the essay, Rieger wrote: “The new politics of international trade relations have probably had more impact on CAP reform than intra-EU budgetary pressures and internal factors.” (2005: 180).

CHAPTER IV

TURKEY AS A NEGOTIATOR

UNDER THE SHADOW OF THE EU

4.1. Turkish Agricultural Policies

Turkish agricultural sector has been mired in problems for hundreds years, and globalizing world elaborates these problems more. Some actors on the world scene such as the WTO, the EU, the WB and the IMF make things more difficult for Turkey, which cannot decide what way she should follow or with which parties she should proceed. All these external factors urge Turkey to build up reasonable agricultural policies so as to satisfy the parties in question. Also considering the substantial proportion of her employment in agricultural sector as an internal factor, it does not seem so easy for Turkey to take sound decisions for her agricultural policies. The fact that the sector's share in GDP is only 7,6% at current prices although it provides 23,7% of the total employment (TurkStat, 2009: 82–83) may be accepted as the indication of poorly managed agricultural policies for Turkey. Turkey's agricultural structure is given in Table 19 by comparing the years 2006 and estimated 2013.

Table 19: *Turkey's agricultural structure*

	2006	2013
	<i>Per cent</i>	
The share of animal production in total agricultural production	28.0	37.0
Percentage of certified cereal (wheat-barley) seed usage	30.0	50.0
Proportion of cultured and cross bred to total cattle stock	67.0	77.0
Proportion of organic agricultural to total agricultural land	1.0	3.0
	<i>Million hectares</i>	
Irrigation area (net cumulative)	2.55	3.00
Land consolidation activities (cumulative)	0.60	1.27
Industrial and soil protection plantation (cumulative)	2.60	3.30

Source: DPT, 2006: 61.

At this point, the following questions arise in the minds of Turkish policy makers: Should Turkey adopt an independent attitude from the EU or follow the EU step by step in the WTO agriculture negotiations while she is still not a member of the Union? What may the gains and losses be if Turkey chooses one of these two preferences? Is the biggest gain to take the role of a passive actor during the negotiations instead of being a formidable Member in consideration of consistencies and inconsistencies with the negotiation actors? In subsequent sections, the study tries to find probable answers to these questions by analysing Turkish agriculture under certain subheadings.

4.1.1. Agricultural Support Policies of Turkey

In 1980, Turkey took some steps for profound changes in terms of market economy and liberalization. A series of policies were announced to remedy the economic deterioration of the country by the government. These policies were known as the 24 January Decisions which “aimed at controlling inflation and stabilising the economy by encouraging exports and decreasing state initiative and state enterprise in heavy industry and primary goods” (Altunışık and Tür, 2005: 77). Thus, the government began to promote an export-oriented growth instead of import-substitution industrialization. The 24 January Decisions also included measures appropriate for structural adjustment policies of the WB and IMF. In this context, the scope of agricultural support or subsidies would be restricted and state-owned enterprises were envisaged to be privatized.

It is most significant to note that the search for new policy in agriculture does not only arise from the load of agricultural support programs on public finance (Acar, 2006: 82). Two factors also influence such a search in agriculture of Turkey: liberalization trend in the trade of world agriculture after the UR, and the need for compliance of Turkish agriculture with the CAP within the framework of integration goal (see 4.2.2.2.). In order to fulfil the requirements of the latter, and as a part of reconstruction of Turkish agriculture, Turkey began to implement Agriculture Reform and Implementation Project (ARIP) in 2001. It was a package which was supported by

the WB and covered the period of 2001–2005 mainly aiming to reduce price support and introduce Direct Income Support (DIS) independent from production. Although some problems are confronted during the implementation of the ARIP, the Ministry of Agriculture and Rural Affairs (TKIB) (2004: 4) declares a progressive decrease in the budget share of DIS from 78% to 45% over 2006–2010. Moreover, TKIB (2004: 2–3) lists the types of agricultural support as follows: (1) deficiency payments; (2) livestock supports; (3) rural development supports; (4) compensatory payments; (5) crop insurance payments; (6) Environmentally Based Agricultural Land Protection Program (ÇATAK) support; (7) other supports (i.e. support for research-development services; export incentives; some input supports, if necessary; loan support and similar support instruments). It also notes that the budget allocated to agricultural support will not drop below 1% of GDP. For the years of 2006–2010, the envisaged budget shares of the agricultural support instruments in Turkey are given in Table 20.

Table 20: *The budget shares of the agricultural support instruments in Turkey*

Agricultural Support Instruments	Budget Share (%)
DIS payments	45
Deficiency payments	13
Livestock supports	12
Rural development supports	10
Compensatory payments	5
Crop insurance payments	5
ÇATAK	5
Other supports	5
TOTAL	100

Source: TKIB, 2004: 5.

Undoubtedly, DIS has introduced some positive results such as Farmer Registration System (FRS).⁴⁰ However, it is difficult to claim that DIS has been proven

⁴⁰ Although being registered to FRS relies on a voluntary basis, it is a necessity for producers or farmers to register to it in order to benefit from DIS.

to be absolutely useful until now since it could be abused easily by some producers or farmers.⁴¹ In the following, Table 21 shows estimates of support to agriculture in Turkey.

⁴¹ For positive and negative aspects of DIS in practice, see Acar, 2006.

Table 21: *Estimates of support to agriculture in Turkey*

New Turkish Lira, TRY Million					
	1986-88	2007-09	2007	2008	2009p
Total value of production (at farm gate)	18	84 376	75 150	87 576	90 403
of which share of MPS commodities (%)	57	59	58	60	59
Total value of consumption (at farm gate)	15	78 316	69 305	80 084	85 558
Producer Support Estimate (PSE)	4	30 876	24 062	33 604	34 964
Support based on commodity output	3	27 176	19 729	29 497	32 303
<i>Market Price Support (MPS)</i>	3	25 459	17 895	27 848	30 632
<i>Payments based on output</i>	0	1 718	1 834	1 649	1 671
Payments based on input use	1	1 180	1 342	1 289	908
<i>Based on variable input use</i>	1	352	258	347	452
<i>with input constraints</i>	0	0	0	0	0
<i>Based on fixed capital formation</i>	0	763	1009	868	412
<i>with input constraints</i>	0	0	0	0	0
<i>Based on on-farm services</i>	0	65	78	74	45
<i>with input constraints</i>	0	0	0	0	0
Payments based on current A/An/R/I, ¹ production required	0	1 593	1 348	1 679	1 751
<i>Based on receipts/Income</i>	0	48	32	49	65
<i>Based on area planted/Animal numbers</i>	0	1544	1317	1630	1687
<i>with input constraints</i>	0	4	2	5	4
Payments based on non-current A/An/R/I, production required	0	0	0	0	0
Payments based on non-current A/An/R/I, production not required	0	927	1 642	1 139	1
<i>With variable payment rates</i>	0	0	0	0	0
<i>with commodity exceptions</i>	0	0	0	0	0
<i>With fixed payment rates</i>	0	927	1 642	1 139	1
<i>with commodity exceptions</i>	0	0	0	0	0
Payments based on non-commodity criteria	0	0	0	0	0
<i>Based on long-term resource retirement</i>	0	0	0	0	0
<i>Based on a specific non-commodity output</i>	0	0	0	0	0
<i>Based on other non-commodity criteria</i>	0	0	0	0	0
Miscellaneous payments	0	0	0	0	0
Percentage PSE	20	34	30	36	37
Producer NPC	1.21	1.38	1.23	1.51	1.40
Producer NAC	1.25	1.52	1.42	1.56	1.58
General Services Support Estimate (GSSE)	0	1 602	798	1 391	2 615
Research and development	0	41	38	40	44
Agricultural schools	0	0	0	0	0
Inspection services	0	67	66	71	66
Infrastructure	0	3	8	0	0
Marketing and promotion	0	1 487	677	1 281	2 505
Public stockholding	0	0	0	0	0
Miscellaneous	0	3	10	0	0
GSSE as a share of TSE (%)	7.7	4.9	3.2	4.0	7.0
Consumer Support Estimate (CSE)	-3	-20 974	-12 424	-27 637	-22 850
Transfers to producers from consumers	-3	-21 163	-12 363	-27 933	-23 192
Other transfers from consumers	0	-320	-572	-288	-101
Transfers to consumers from taxpayers	0	0	0	0	0
Excess feed cost	0	509	511	584	432
Percentage CSE	-19	-26	-18	-35	-27
Consumer NPC	1.25	1.38	1.23	1.54	1.37
Consumer NAC	1.23	1.37	1.22	1.53	1.35
Total Support Estimate (TSE)	4	32 478	24 860	34 996	37 578
Transfers from consumers	3	21 483	12 935	28 221	23 292
Transfers from taxpayers	1	11 315	12 497	7 063	14 386
Budget revenues	0	-320	-572	-288	-101
Percentage TSE (expressed as share of GDP)	3.72	3.56	2.95	3.68	3.97
GDP deflator 1986-88 = 100	100	359 722	326 453	364 574	388 138

Notes: p, provisional. NPC, Nominal Protection Coefficient. NAC, Nominal Assistance Coefficient.

1. A (area planted), An (animal numbers), R (receipts), I (income). MPS commodities for Turkey are: wheat, maize, other grains, oilseeds, sugar, potatoes, tomatoes, grape, apple, cotton, tobacco, milk, beef and veal, sheepmeat, poultry and eggs. MPS is net of producer levies and Excess Feed Cost.

Source: OECD, 2010: 67.

4.2. Turkey in the WTO Agriculture Negotiations

Turkey became an original Member of the WTO on 26 March 1995. Although Turkey is not a signatory to any of the plurilateral agreements resulting from the UR, she is a party to the Information Technology Agreement, and an observer in the Committees on Government Procurement and Trade in Civil Aircraft. In addition, Turkey places great importance on Doha Development Agenda (DDA), which aims a fair, competitive and predictable trading environment. More importantly, Turkey believes that DDA may be a turning point for the establishment and maintenance of acceptable agricultural trade standards.

Turkey remains relatively protectionist in the WTO agriculture negotiations and she takes sides with G-33, which advocates safeguard mechanisms for special farm products vital to their domestic consumption, rural livelihoods and food security. Besides, G-20 is another group with which Turkey shares similar views on agriculture although she does not formally take side with this group in the negotiations. As a candidate country of the EU, Turkey has to make a compelling struggle during these negotiations. Though Turkey takes sides with the EU on non-agricultural products, which are fully covered by the Customs Union (CU) with the EU, she cannot adopt a similar attitude when dealing with agricultural products because the CU only includes the processed ones.

She has already started the negotiations with the EU so as to harmonise her agricultural policy to the CAP. While doing that, Turkey has to implement the decisions taken during the WTO negotiations as well. However, some dilemmas may be experienced in the process of these two different negotiations by Turkish policy makers. Although the EU is also a Member of the WTO, it sometimes drags its heels while implementing some WTO decisions. Such attitudes of the EU make the situation more complex for Turkey. At this point, Turkey should observe the EU correctly while developing new agricultural policies if she does not intend to miss the EU membership. Nonetheless, it does not mean that Turkey should follow the ways just to satisfy the EU in the course of the WTO negotiations. Turkish agricultural policies may be successful

in long term only if Turkey is able to develop policies appropriate to her own economic and social realities (see 4.2.2.1.), which may sometimes require taking independent steps from the EU.

It is a fact that a serious transformation in both Turkish and world agriculture is necessary in compliance with the decisions of the WTO. Protectionism in agriculture seems to be put aside in a considerable extent all over the world in a close future. It may gain favour for Turkey and other developing countries if they become successful in making their demands compatible with their interests accepted among other strong actors of the scene.

4.2.1. Turkey's Position in Three Pillars of the Negotiations

As it is in most of the developing countries, Turkey is a country where the requirements of competitive environment are not fully responded in the agricultural sector. For this reason, Turkey tries to improve the competitiveness of her agricultural sector by taking the UR as a basis although she is relatively protectionist in the WTO agriculture negotiations as stated before. Her protectionist attitude does not stem only from external factors, but also internal factors trigger the current situation. There are many internal factors from structural problems to consumers which affect her protectionist attitude (see 4.2.2.1.). However, note that Turkey is not a totally protectionist country in all issues related to the agriculture negotiations.

Market Access: Turkey admits that she has the right to justify her cautious approach regarding further tariff reductions on her side. In addition, Turkey believes that tariffs are the only instruments to protect her agricultural sector against the considerable level of export subsidies and domestic supports provided by the developed countries which have significant financial resources (WTO, 2001b: 2). As a consequence, she may consider further tariff reductions on condition that export subsidies and domestic support are substantially reduced or eliminated by the developed countries. Turkey also proposes that tariff peaks and escalations, which the developed countries apply, should be eliminated. She claims that a non-transparent tariff structure

limits the market access opportunities for the developing countries, so all tariff commitments should be converted into *ad valorem* duties and tariff structures should be simplified by eliminating all variable and compound duties. Lastly, although Turkey is not willing for sectoral tariff reductions, this kind of reductions may be welcomed by Turkey only if comprehensive tariff reductions are not impaired.

Domestic Support: Turkey sees the domestic support as a necessity to ensure long-term food security of her population and to maintain self-sufficiency of the country as well as to provide social, political and economic stability (WTO, 2001b: 3). She finds the current state of *de minimis* unfair since the developed countries intensively provide domestic support to their farmers using their advantage of financial resources whereas the developing countries do not have such an opportunity due to their adverse economic conditions. Hence, Turkey proposes that domestic support over *de minimis* level for the developed countries should be eliminated or reduced substantially while *de minimis* level for the developing countries should be increased. In addition to this, since the production conditions constantly change, Turkey proposes that the developing countries should have the right to apply *de minimis* on an aggregate basis instead of product basis. Also, she believes that high inflation decreases the effectiveness of domestic support policies for many developing countries. So, the negative effects of high inflation rates should be taken into consideration on implementing commitments in line with Article 18.4 of the AoA (WTO, 2001b: 4). Lastly, Turkey supports green box measures within the framework of Annex II of the AoA; however, clear definitions and set of rules in compliance with relevant objectives should be introduced.

Export Subsidies: Turkey claims that overproduction in the developed countries is a result of huge amounts of domestic support, and these countries try to consume it externally by using extensive export subsidies (WTO, 2001b: 4). The developed countries' use of the export subsidies to increase their competitiveness and to expand their market shares results in unfair competition for the developing countries as well as negative effects on international market prices. So, Turkey proposes that the export subsidies of the developed countries should be eliminated or reduced substantially. Moreover, the provisions of Article 10.4 of the AoA should be implemented for

international food aid so as to prevent such aids being used as disguised protection for export subsidies. Turkey also proposes that concrete steps should be taken to put the use of export credits into disciplines within the framework of the WTO. In the following, Table 22 shows Turkey's export subsidies by product in 2007.

Table 22: *Turkey's export subsidies by product, 2007*

Product	Rate (US\$/tonne)	Share of exported quantity eligible for the subsidy (%)
Cut flowers (fresh)	205	37
Vegetables, frozen (exc. potatoes)	79	27
Vegetables (dehydrated)	370	20
Fruits (frozen)	78	41
Preserves, pastes	75	51
Honey	65	32
Homogenized fruit preparations	63	35
Fruit juices (concentrated)	150	15
Olive oil	125	100
Prepared or preserved fish	200	100
Meat of poultry (excl. edible offals)	186	14
Preserved poultry meat products	250	40
Eggs	US\$15/1,000 pieces	78
Chocolate and other food preparations containing chocolate	119	48
Biscuits, waffles	119	18
Macaroni vermicelli	66	32

Source: WTO, 2008: 81.

4.2.2. The Factors Determining Turkey's Position in the Negotiations

As it is for the EU's position in the WTO agriculture negotiations, the factors determining Turkey's position in the negotiations are also divided into two categories: internal and external. Though there are some similarities between Turkey and the EU on these factors, Turkey differs from the Union on certain points as she has carried out a different agricultural policy from the EU until recent years. On the other hand, it is a

fact that Turkey has to harmonize her agricultural policy to the CAP in order to be a full Member of the EU, which she has set as a target for decades. It means that similarities between Turkey and the EU are expected to increase in due course while differences of them gradually diminish. In the light of these facts, the factors determining Turkey's position in the negotiations are given as follows.

4.2.2.1. Internal Factors

First of all, note that Turkey is defined as a developing country, and is inclined to follow a protectionist approach by taking side with the G-33 during the WTO agriculture negotiations. As it is for most of the developing countries, Turkey has a limited budget. Such a budget means limited domestic support and insufficient export subsidies for these countries. So, the budget allocated to the agricultural policy seems to be one of the main internal factors determining Turkey's position in the negotiations.

Secondly, there are some fundamental structural problems which prevent to have a well-functioning agriculture sector in Turkey. One of these problems is the fact that agricultural landscapes do not have optimum sizes and consist of many parts. This problem basically stems from the current Law of Inheritance. Moreover, agricultural enterprises are small-sized and most of them are still managed by family members. All these are internal factors which simply weakens Turkey's hand during the WTO agriculture negotiations.

Thirdly, high proportion of the total employment in Turkish agriculture sector (see 4.1.) and overpopulation in rural areas still remain as significant problems in the minds of policy makers of Turkey. The lack of competitive capacity of the sector and the problem of entering the foreign markets contribute to confusion in the minds. Low productivity of the agricultural activities, compared to the developed countries such as the USA and the EU countries, is another aspect of the problem. As a whole, these are the Achilles' heel of Turkey in the negotiations.

Eraktan (2011) claims that the expectations of ramping up the production in

certain products, the need of increasing the incomes and welfare of farmers, and the necessity of strengthening the markets of agricultural products are primary internal factors of Turkish agricultural policy.

Lastly, it would not be difficult to list other internal factors as follows: political instability, poorly managed agricultural policies, low educational level of agriculture population. Although agriculture lobbies, interest groups, consumers and taxpayers might also be given as parts of these factors, they are surely not as dominant as the ones in the EU.

4.2.2.2. External Factors

Though the WTO commitments seem to be primary external factor determining the positions of almost all developing countries in the negotiations, Turkey differs from these countries due to her continuing candidacy for the EU membership. Turkey's challenging negotiations with the EU for full membership takes place on the top of the external factors. Whether Turkey should keep company with the EU or follow a more independent route from it substantially determines Turkey's position in the WTO agriculture negotiations. In Turkey's agriculture negotiations with the EU, high agricultural employment and structural problems of Turkish agriculture sector come into prominence, and Turkey's full membership is tried to be prevented by some countries due to the fears of increasing the problems of the CAP. Also, another fear of these countries is that Turkey will be one of the leading agriculture countries of the EU if she is accepted as a Member. By taking these reservations of the EU Members into consideration, Turkey should reevaluate the EU as an external factor in the WTO agriculture negotiations.

Gaytancıoğlu (2010) claims that Turkey's agricultural policies are not determined by herself, but by some foundations such as the WB and IMF which grant loan from time to time. So, these foundations have a voice in Turkey's steps, which are taken for agriculture as well as other sectors and generally result in close-downs or privatizations of some state-owned enterprises such as SEK (Dairy Industry Authority)

and EBK (Meat and Fish Authority). These results directly or indirectly affect the position of Turkey in the WTO agriculture negotiations.

The factors, which are listed under the external factors determining the EU's position in the WTO agriculture negotiations, may be given for Turkey, too: international conjuncture, competition environment, bilateral agreements and ever-growing agriculture technology. Moreover, relationships with other parties of the negotiations (i.e. the developing countries, developed countries and some groups such G-33, G-20) is another determinant factor for Turkey's position. Yet, none of these is determinant as much as the EU which seems undecided on Turkey's membership.

4.2.3. Consistencies and Inconsistencies with the WTO and the EU

If the WTO, the EU and Turkey are supposed to be the parts of a scalene triangle, Turkey surely represents the narrowest angle of it. From time to time, the WB and IMF accompany these actors though they do not take role as leading actors. Interestingly, the demands made by the WTO, the EU, the IMF and the WB on Turkish agriculture show remarkable similarities and complementarities (Aydın, 2010: 161). It seems that all they work together to force Turkey to restructure her agriculture sector. While the WTO requires Turkey to fulfil her commitments based on the AoA, the EU insists that Turkey should bring about necessary structural policies as well as institutional policies in order to comply with the EU's CAP. In fact, neither the WTO commitments nor the EU necessities are unique to Turkey. All Members of the WTO must fulfil these commitments while all candidate countries for the EU membership must harmonise their agriculture with the CAP. However, some facts related to Turkey such as being a party of the CU without a full membership of the EU make her different from other actors on today's world trade scene. In spite of these facts, as a Member of the WTO, Turkey's dispute cases on agriculture as respondent are not many in number compared to the EU's disputes, and they are listed in Table 23.

Table 23: *WTO challenges to Turkish agricultural policies*

Title	Complainants and DS number	Comments
Certain import procedures for fresh fruit	Ecuador (237)	On 31 August 2001, Ecuador requested consultations with Turkey concerning certain import procedures for fresh fruits, and in particular, bananas. Ecuador considered that Turkey's 'Kontrol Belgesi', which was required under this procedure is inconsistent with the obligations of Turkey under GATT 1994, the Agreement on the Application of Sanitary and Phytosanitary Measures, the Agreement on Import Licensing Procedures, the Agreement on Agriculture and the GATS. The parties found a mutually agreed solution to their dispute on 22 November 2002.
Import ban on pet food	Hungary (256)	Dates from 3 May 2002. Hungary claimed that this import ban, which applies to any European country from the beginning of 2001, is imposed with the declared intention to be protected against the spread of Bovine Spongiform Encephalopathy (BSE). Hungary submitted that, since Hungary is a BSE-free country, the danger of alleged cross-infection does not seem to have any scientific basis. Hungary considered that the import ban appears to be inconsistent with Turkey's obligations under Article XI of the GATT 1994; Articles 2.2, 2.3, 5.1, 5.2, 5.6, 6.1, 6.2 and 7 and Annex B of the SPS Agreement; Article 14 of the Agreement on Agriculture. No further action is recorded.
Measures affecting the importation of rice	US (334)	US complaint dates back to 2 November 2005. The US requested consultations with Turkey concerning the latter's import restrictions on rice from the US. According to the request, Turkey requires an import license to import rice but fails to grant such licenses to import rice at Turkey's bound rate of duty. Also, Turkey operates a tariff-rate quota for rice imports requiring that importers must purchase specified quantities of domestic rice, including from the TMO, Turkish producers, or producer associations. The Panel found that Turkey's decision is a measure of the kind which has been required to be converted into ordinary customs duties and is therefore inconsistent with Article 4.2 of the AoA. At the DSB meeting on 21 October 2008, Turkey stated that it had complied with the DSB's recommendations.

Notes: DSB, Dispute Settlement Body. TMO: Turkish Grain Board.

Source: The author's compilation based on the WTO website, <http://www.wto.org>.

Up to now, Turkey's membership negotiations with the EU have shown that agriculture will be the most problematic area in EU accession. The factors such as

fundamental structural problems, high proportion of the total employment in agriculture sector and the lack of competitive capacity of the sector make the accession process more difficult and costly task for Turkey. Unwillingness of some EU Members (especially, France and Germany) for Turkey's full membership contributes to the impasse of Turkey. Also, the necessity of harmonising Turkish agricultural policies with the CAP often requires Turkey to cooperate with the EU during the WTO agriculture negotiations. However, open-ended negotiations with the EU and the ambiguity of an EU membership in the future give Turkey some elbow room in the global marketplace as well as the WTO agriculture negotiations.

Though Turkey cannot reach the EU's level in agriculture in the near future due to her limited budget for supports and subsidies, she tries to protect her agriculture sector by using different ways. Therefore, these protection methods may occasionally result in some inconsistencies with the EU. For instance, as a protection against the spread of Bovine Spongiform Encephalopathy (BSE), Turkey has banned the import of bovine meat and live bovines from the EU since 1998. Although Turkey has recently taken some steps on the issue in favour of the EU, the Union is still not satisfied with the current situation.⁴²

On the other hand, in the context of the Association Council Decision No. 1/98, Turkey acquired concessions from the EU in some products including poultry meat, sheep and goat meat, tomato paste, olive oil, cheese, certain fruits and vegetables, hazelnuts, fruit marmalade and jams in the form of duty exemption or reduction. In return, the EU has been granted concessions in the form of tariff quotas on live bovine animals, frozen meat, cheese, butter, tomato paste, apples, peaches, cereals, potatoes, seeds of vegetables and flowers, flower bulbs, sugar, refined or raw vegetable oil and some animal foods. Upon the enlargement of the EU in 2004, Association Council Decision No. 1/2007, which has entered into force on 1 July 2007, has included concessions in the form of duty free tariff quotas for the most of the processed agricultural products.

⁴² For more information on Turkey's ban on EU exports of bovine meat and live bovines, see http://madb.europa.eu/madb_barriers/sps_barriers_details.htm?barrier_id=105340.

CHAPTER V
THREE-LEVEL GAMES
AND TURKEY'S EU COMPATIBILITY
IN THE NEGOTIATIONS

5.1. The EU and Turkey: Two Players of Three-Level Games

The WTO has more than 150 Members, covering more than 97% of global trade, and about 30 countries negotiate their membership. Almost all Members make hard work for taking the agriculture negotiations a step further while also making a stand for preserving their national trade interests. In most cases, the negotiations come to a deadlock due to the clash of national and international interests. As a result, the players (i.e. the WTO Members) begin a two-level game. According to Putnam (1988: 434), the levels of this game are international relations (Level I) and domestic politics (Level II). Politicians representing the Members are willing to keep their political power by constructing coalitions among domestic groups while minimizing the adverse consequences of foreign developments. Therefore, by using proper win-sets, they try to find solutions at the international level, which would also be acceptable to domestic constituencies.

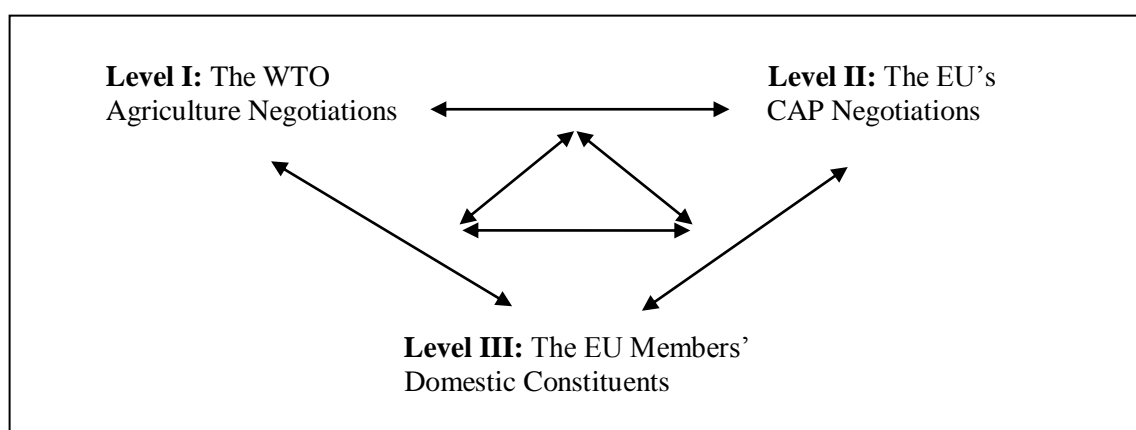
In the WTO agriculture negotiations, the cases of the EU and Turkey are quite a bit different from most Members of the WTO. Unlike other Members, the EU and Turkey are players of two interrelated three-level games in the WTO agriculture negotiations. Subsequent sections of the chapter clarify these games by taking the players' (i.e. the EU and Turkey) position in the negotiations into consideration.

5.1.1. A Three-Level Game for the EU

The EU is one of the leading actors of the WTO agriculture negotiations, and is also conceivably the most criticized one because of its highly subsidized agriculture

sector. As shown in Figure 3, this study argues that the EU is actually a player of a three-level game: the WTO agriculture negotiations (Level I), the EU's CAP negotiations (Level II), and the EU Members' domestic constituents (Level III). European policy makers aim for the balance among these levels so as to draw a successful political line in both international level and domestic level as well as within the borders of the EU Members.

Figure 3: *A three-level game for the EU*



The outcomes of the WTO agriculture negotiations in terms of the EU are mostly the reason or result of the EU's CAP negotiations and the EU Member's domestic constituents. Conversely, the decisions taken during the EU's CAP negotiations are influenced by the WTO agriculture negotiations and the EU Members' domestic constituents. As a third level of the game, the EU Member's domestic constituents should not be ignored. In fact, it is the most prominent part of this game because the EU Members are the main actors of the CAP negotiations and they are considerably affective in the WTO agriculture negotiations. In this three-level game, the negotiations occur simultaneously at all three levels. Besides the levels discussed above, the relations between the levels also affect each other in an interactive way. The interior triangle in Figure 3 symbolizes the interaction of these relations. The relations between Level I and Level II affect the relations between Level II and Level III, and also affect the relations between Level I and Level III even if it may not be so clear at all times. As shown in Figure 3, the relations between other levels show a similar effect, too.

5.1.1.1. Level I: The WTO Agriculture Negotiations

The WTO agriculture negotiations, which is held on a multilateral basis, aim to break down tariff and non-tariff barriers to trade by ensuring that trade flows as smoothly, predictably and freely as possible. The WTO uses some agreements to achieve such functions. The UR's AoA, which aims for reductions in farm export subsidies, increases in import market access, and cuts in domestic producer subsidies, is one of these agreements. Although there are specific exceptions and differences for certain Members, the AoA is binding on all WTO Members including the EU. As one of the leading Members of the WTO, the EU is highly affected by the decisions taken in the WTO agriculture negotiations while also influencing the decisions taken here. The effect of these decisions are also individually felt by the EU Members. As a result, the EU is required to restructure its agriculture sector, which occasionally shows up as a profound CAP reform.

5.1.1.2. Level II: The EU's CAP Negotiations

The CAP is the most burdensome policy area of the EU with its lion's share from the EU budget. It aims to ensure that the EU has a viable agricultural sector and encourages better productivity in the food chain while guaranteeing a stable food supply for customers. The EU resorts to domestic support and export subsidies in order to carry out these functions of the CAP, and it takes some measures including tariff and non-tariff barriers to protect its own agriculture sector. As a Member of the WTO, the EU is expected to regulate its CAP in accordance with the AoA and on the basis of the WTO principles. The Mac Sharry Reform, Agenda 2000 and Fischler Reform are accepted as a result of the WTO's influence on the EU by an important part of the literature. Besides, the EU Members' domestic constituents are surely the key determinants of the EU's CAP negotiations.

5.1.1.3. Level III: The EU Members' Domestic Constituents

The EU is an economic and political partnership between 27 European countries,

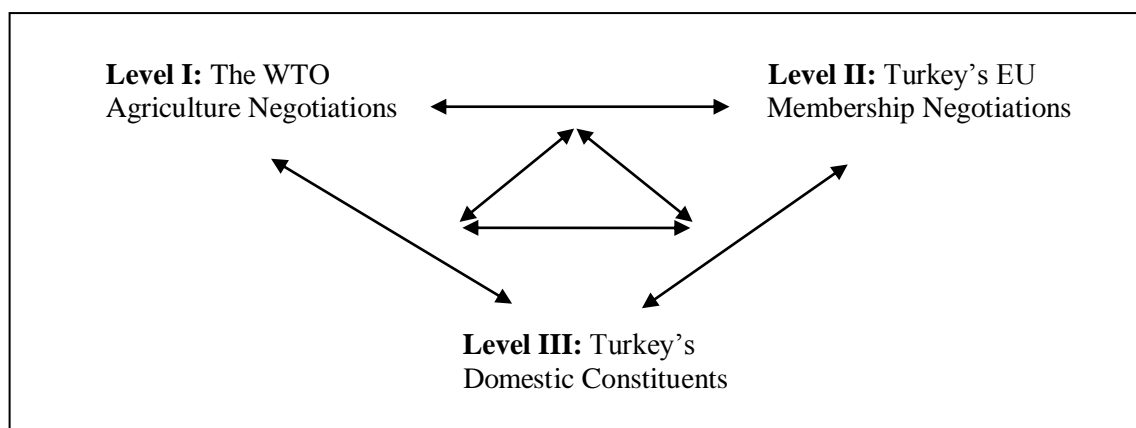
and currently, there are several candidate countries including Turkey. The European Parliament, Council of the European Union and European Commission are main institutions which take place in decision-making process of the EU. The individual Member states of the EU are represented by the Council of the European Union while the European Parliament represents the EU's citizens. As mentioned before, the EU's position in the WTO agriculture negotiations are actually decided by the Member States though the European Commission has the power to act as a sole negotiator on behalf of the EU in the negotiations. As a third level of the game, the EU Members' domestic constituents are basically national parliament, additional ministries and agencies, civil society organizations⁴³, export-oriented groups, import-competing groups, general public, etc. These constituents take significant roles both in the WTO agriculture negotiations and in the EU's CAP negotiations.

5.1.2. A Three-Level Game for Turkey

Turkey is classified as a developing country in the WTO agriculture negotiations in spite of her recent economic success. As a candidate country for the EU membership, Turkey is expected to fulfill a number of requirements and obligations including certain agricultural standards regarding the EU's CAP. However, it does not seem to take place easily because the CAP undergoes some changes in due course. Additionally, the CAP influences Turkey's position in the WTO agriculture negotiations. As shown in Figure 4, another argument of this study is that Turkey is also a player of a three-level game: the WTO agriculture negotiations (Level I), Turkey's EU membership negotiations (Level II), and Turkey's domestic constituents (Level III). Turkey has to follow a successful policy in all levels in order to achieve an economic success in agriculture sector.

⁴³ Committee of Professional Agricultural Organizations (COPA) is one of the significant civil society organizations in the EU, and takes a remarkable role in CAP reforms by speaking on behalf of the European agricultural sector as a whole.

Figure 4: A *three-level game for Turkey*



The WTO agriculture negotiations are the common point of the EU and Turkey in these three-level games. They often come across in the negotiations, and both the EU and Turkey naturally try to keep their own interests there. However, the fact of Turkey's EU membership negotiations and the need of Turkey's agricultural policy harmonization with the CAP force Turkey to follow a moderate policy during these confrontations in the WTO agriculture negotiations. Consequently, the outcomes of the WTO agriculture negotiations have an influence in the course of Turkey's EU membership negotiations while the EU membership process plays a key role in Turkey's position in the WTO agriculture negotiations. As such in all WTO Members, Turkey's domestic constituents are also affected by the WTO agriculture negotiations, and Turkey is expected to reformulate and restructure her agricultural policy in accordance with the decisions taken as a result of these negotiations. Undoubtedly, Turkey's domestic constituents are crucial for her EU membership negotiations whereas they have a relatively minor role in the WTO agriculture negotiations. As it is in the three-level game for the EU, the negotiations in this game also occur simultaneously at all three levels and the relations between the levels have the feature of interaction. Again, it is symbolized with the interior triangle in Figure 4. The relations between Level I and Level II affect the relations between Level II and Level III as well as the relations between Level I and Level III. As shown in Figure 4, a similar effect is also seen in the relations between other levels.

5.1.2.1. Level I: The WTO Agriculture Negotiations

The WTO aims to put aside the protectionism in agriculture all over the world in a close future. Similarly, as a founding Member of the WTO, Turkey supports the elimination of all trade distorting measures in the WTO agriculture negotiations although she is relatively protectionist and takes side with G-33 in the negotiations. On the other hand, Turkey's EU membership negotiations complicates Turkey's position in the WTO agriculture negotiations because she is expected to follow in the footsteps of the EU. At this point, the relations between Level I and Level II are the most critical part of the game. The impact of the UR's AoA is felt by both the EU and Turkey, but the intensity of this impact differs greatly. Clearly, the reason of the difference is that the EU and Turkey do not have similar agriculture policies since Turkish agriculture has not complied with the CAP yet. As the first level of the game, the WTO agriculture negotiations have a significant influence on this compliance and on the course of the game.

5.1.2.2. Level II: Turkey's EU Membership Negotiations

Turkey first applied for associate membership in the European Economic Community (EEC) in 1959, and it was in 1987 when Turkey submitted her application for formal membership into the European Community (EC)⁴⁴. Although the CU between Turkey and the EU came into effect on 1 January 1996, Turkey has not been recognised as a candidate until the Helsinki European Council of 1999. 3 October 2005 was a milestone for Turkey because it was the date on which the EU would start accession negotiations with Turkey. Though screening of 35 chapters have been completed, only the chapter on Science and Research has been provisionally closed on 12 June 2006, and some chapters have been blocked by Cyprus and France. The chapters on Agriculture and Rural Development, Food Safety, Veterinary and Phytosanitary Policy, and Fisheries are thought to be the most challenging ones, and

⁴⁴ Upon entry into force of the Maastricht Treaty in 1 November 1993, the EEC becomes the EC, and a new structure with three pillars is created. The name of this new structure is the EU which replaces the EC.

Turkey is expected to make considerable efforts to close these chapters. In fact, Turkey will have covered a great distance in complying her agriculture with the CAP when she closes these chapters in a successful way. In other words, the chapters related with agriculture play a key role in Turkey's EU membership negotiations.

5.1.2.3. Level III: Turkey's Domestic Constituents

Turkey has implemented an outward oriented policy since 1980, and she has left import substitution policy and gradually lowered her customs tariffs. In 2001, Turkey began to implement ARIP so as to reduce price support and introduce DIS. These are necessary steps for the reconstruction of Turkish agriculture in the light of the facts that trade of world agriculture has been in liberalization trend after the UR and Turkish agriculture needs to comply with the CAP. Undoubtedly, Turkey's domestic constituents have played a significant role in these reconstruction steps. The national parliament and some civil society organizations such as the Union of Turkish Agricultural Chambers (TZOB), Turkish Exporters Assembly (TIM), and The Union of Chambers and Commodity Exchanges of Turkey (TOBB) are Turkey's crucial domestic constituents which influence the position of Turkey in the WTO agriculture negotiations and Turkey's EU membership negotiations.

5.2. The Costs and Benefits of Turkey's EU Compatibility

Turkey differs from other developing countries in the WTO negotiations in terms of her being a candidate country of the EU. The CU between Turkey and the EU reveals even more clearly this difference. Although the CU only includes industrial products and processed agricultural products for the present, Turkey's full membership of the EU will lead to the enlargement of the CU to all agricultural products. For Turkey, it means a full liberalization of agricultural trade within the EU as well as the implementation of a common external tariff. In the light of this information, the prominent question is what the costs and benefits of Turkey's EU compatibility may be in the WTO agriculture negotiations. The answers given to the question vary among academicians, bureaucrats and representatives of private sector. In fact, there is also no

clear answer for the question among agriculture-related institutions or stakeholders of the country. Though most of the views are generally based on individual or institutional interests, there are also some considerable opinions which are products of independent thinking.

For instance, Akder and Çakmak (2005: 4) argue that maintenance of the current situation outweighs as Turkey wavers between the government policies targeting protectionism and EU membership, and the potential opportunities of multi-party trade liberalization are ignored. There is not any certainty about the future of the CAP, to which Turkey tries to harmonise her agricultural policy as one of the necessities of full membership.⁴⁵ Akder and Çakmak (2005: 5) claim that the factors such as enlargement, internal dissatisfactions and liberalization in foreign trade will probably head agricultural policies of the EU towards a new direction. At this point, Turkey should know what she really wants during the harmonization of her agricultural policy to the CAP in order to get optimum gains in the WTO negotiations.

Although Turkey mainly keeps company with G-33 in the negotiations, she also cooperates with the groups such as G-20 and G-10 on specific issues. During the negotiations, what has the position of Turkey been in terms of her relationships with the EU so far? İmir (2008: 140) asserts that Turkey has maintained an attitude of being close or parallel to the EU, not taking an opposite position against it or keeping silent on minor issues while she has made an effort to compose a cooperation and common position on the issues such as tariff reduction formula and sensitive products. Also, İmir (2008: 150) argues that Turkey could have the chance of maintaining her current situation on agriculture as long as she can benefit from the advantages of the region, climate and geographical structure, and manage threats and opportunities arising from the AoA in an ideal way. Moreover, the market of the EU is at her elbow as the greatest agricultural importer of the world as well as Middle East countries. As a consequence, it is not so hard for Turkey to get successful results by using all these advantages in a

⁴⁵ Initially, almost no country could be a Member of the EU by implementing all requirements of the CAP. For instance, countries such as Greece, Spain and Portugal could harmonise their agricultural policy to the CAP long years later after being a full Member of the EU (Akder and Çakmak, 2005: 5).

proper way. However, there is also a risk of putting the WTO negotiations into the shades of Turkey-EU relations. Note that the ground, on which both Turkey and the EU will move in the future, is set by the WTO, and it is again the WTO which marks out the lines of movement areas (İmir, 2008: 138). When viewed from this aspect, it would be better for Turkey to balance her relations with both the EU and other negotiation groups (especially G-33) in line with her own interests during the negotiations. Alternatively, assuming that Turkey will never be able to be a full Member of the EU may be kept in minds for taking stronger steps in these negotiations. On the other hand, İmir (2008: 139) claims that the prolongation of the WTO negotiations or an early EU membership of Turkey may completely change Turkey's strategy.

All in all, it is clear that Turkey's position in the negotiations is mostly determined by her status in the EU. Eraktan (2011) argues that it would not be fair to expect Turkey to have a common position with the EU during the WTO agriculture negotiations as Turkey has not been a Member of the EU yet. Also, she claims that Turkey's commercial interests are not appropriate for taking such a position with the EU. Turkey would naturally face new drawbacks, and overcoming them would not be easy for Turkey, which cannot benefit from the advantages of full membership of the EU. Additionally, Eraktan suggests that Turkey's internal factors in terms of the EU membership do not allow Turkey to adapt her own agriculture to the CAP in a perfect way. Turkey should not be expected to implement the same policy instruments with the EU. Eraktan believes that what needs to be done is the harmonization, not actualize the rules of the CAP in Turkey.

Gaytancıoğlu (2010) suggests that the EU's CAP is a consistent policy based on science, and it has the capability to meet the agricultural requirements of a country. Therefore, he argues that Turkey should follow a similar agricultural policy so as to solve the problems in her own agriculture sector. Gaytancıoğlu also claims that Turkey's compatibility with the EU in the WTO agriculture negotiations is a kind of necessity for Turkey's full membership of the EU. Otherwise, Turkey might face substantial obstacles on the path to the membership of the Union. The fact that there is not any other stronger model than the CAP also makes this necessity inevitable for

Turkish agriculture. On the other hand, Gaytancıoğlu emphasizes that Turkey does not have any problem on complying the commitments of the WTO and has a favourable position as a developing country in the negotiations. He believes that Turkey should handle her structural problems in agriculture by taking the EU's CAP as a model without impairing her position in the WTO.

The WTO agriculture negotiations surely influence all Members' agriculture policies. Turkey is not an exception as a Member of the WTO, and her agriculture policies are shaped according to these negotiations as well as Turkey's strategic parameters and national interests. İmir (2011) claims that the CAP does not have a significant role in deciding on Turkey's agriculture policies. He suggests that the Turkish agriculture's compliance with the CAP proceeds within the framework of standards and technical progresses, and compliance programme will be followed after the date of Turkey's accession to the EU becomes definite. İmir also argues that it is currently not possible for Turkey to implement the CAP as it is. Moreover, the EU and Turkey are in different categories and in a relationship based on self-interest in ongoing WTO agriculture negotiations. In the negotiations, Turkey rubs elbows with the EU and acts on the basis of information and opinion exchange. Despite of interest and position differences, Turkey forms her position by involving in an continuous interaction with the EU. Lastly, İmir suggests that Turkey makes an effort to protect and maximize her interests according to other negotiation groups' positions.

When considering the opinions of various stakeholders, it would not be difficult to see that Turkey may come to an impasse at any time if she does not follow a successful and balanced policy during the WTO agriculture negotiations. Undoubtedly, the EU membership is an important opportunity for Turkey's development in agriculture sector as well as the others. On the other hand, the WTO is a significant body for the liberalization of agriculture. It may be argued that development and the liberalization of agriculture in favour of developing countries bear similar meanings and represent the main aim for Turkey's agricultural future. Turkey should not deviate from her main aim while conducting the negotiations on both platforms (i.e. the EU membership negotiations and the WTO agriculture negotiations).

CONCLUSION

The WTO is surely the leading body which has a voice in commercial activities of the world countries. The USA and the EU, which do not take part in any negotiation groups and act as individual Members in the WTO agriculture negotiations, play significant roles in the negotiations as the most powerful Members of the WTO. Moreover, other developed countries accompany these two main actors for their own interests from time to time. However, ongoing Doha Round has shown that the developing countries as well as the least developed countries are not passive actors of the negotiations any longer.

Turkey's negotiations with the EU for full membership put her in a different position among all developing countries. In other words, 3 October 2005, on which these negotiations started, has been a milestone for Turkey's today and tomorrow. As commonly known, agriculture negotiations with the EU are expected to be the most challenging part of the EU membership. The factors, which make these negotiations so challenging, may be listed as follows: the shoestring budget, fundamental structural problems, high proportion of the total employment in agriculture sector, overpopulation in rural areas, lack of competitive capacity of the sector and low productivity of the agricultural activities. Undoubtedly, the EU has already covered a great distance on these economic and social issues thanks to the CAP. However, efficiency of the CAP is also discussed by most of the EU countries although it has enabled the EU to solve most of its problems on agriculture. The reforms of the CAP such as the Mac Sharry Reform, Agenda 2000 and Fischler Reform are the results of such a discussion. At this point, Turkey should be careful while complying with the EU's CAP so as to avoid any possible mistakes in her agriculture sector.

On the other hand, the negotiation process with the EU offers Turkey an opportunity to review her agriculture sector. Turkey should make use of this opportunity well by taking necessary actions on agriculture before it is too late. Also taking the WTO commitments into consideration, Turkey should perform many tasks in her

agriculture sector. First of all, Turkey should continue to apply DIS independent from production without damaging her budget. Moreover, agricultural landscapes should be rearranged to have optimum sizes and to maintain adequate patch size by making related amendments to the current Law of Inheritance. Even if agricultural enterprises are managed by family members, they should not remain as small-sized enterprises. High proportion of the total employment in agriculture sector should be transferred into more value-added sectors. In overpopulated rural areas, people should be offered new employment opportunities such as ecological tourism or various local cultural activities. Also, low productivity of the agricultural activities should be overcome by investing on research and development works, and following new technologies in agriculture. All these would certainly strengthen the competitive capacity of the sector and facilitate entering foreign markets.

All these could bring long-term successful results both at home and in the WTO agriculture negotiations as well as the EU membership negotiations if Turkey observes the EU correctly. Nevertheless, Turkey should keep in mind that she does not have as strong of an economy as compared to the EU, so it is not possible to become a leading actor like the EU in the near future. For this reason, Turkey should play her cards well in the WTO agriculture negotiations so as to maintain her current advantages such as *de minimis* level of 10% offered for the developing countries. That is to say, Turkey should not hesitate to adopt an independent attitude from the EU on the issues of the negotiations, which are compatible with her own interests, by considering her own economic and social realities mentioned before. However, it should not be taken as being at contrary to the EU on all issues in the WTO agriculture negotiations. Turkish policy makers need to follow a successful agricultural policy to avoid taking such an opposite position and to keep the balance between consistencies and inconsistencies with the EU on this international platform.

Undoubtedly, Turkey also has some characteristics in common with the EU in terms of agriculture. First of all, they both struggle to get rid of the burdens of the agriculture on their budget and directly or indirectly on their citizens (i.e. consumers and taxpayers). Secondly, both Turkey and the EU emphasize the multifunctional aspect

of the agriculture and carry out new works on this area. Finally, and above all, they are simply two parties of a membership process, the EU membership. When considered from this point of view, they are expected to compromise easily on most of the WTO agriculture issues. At this point, by foreseeing a possible EU membership, Turkey should follow the EU step by step on the issues of the negotiations on which both parties compromise. It would obviously shorten Turkey's path to the EU membership and enhance her prestige in the EU while it also contributes to strengthen her position in the WTO agriculture negotiations.

To sum up, Turkey may get long-term successful results in the WTO agriculture negotiations only if she develops policies appropriate to her own realities such as the shoestring budget, fundamental structural problems, high proportion of the total employment in agriculture sector, overpopulation in rural areas, lack of competitive capacity of the sector and low productivity of the agricultural activities by observing the EU correctly, but also by adopting an independent attitude from the EU when it is necessary. While doing so, Turkish policy makers should avoid repeating the mistakes of the EU on the CAP such as permanent surpluses in 1980s as a result of various subsidies and guaranteed prices offered to the EU farmers and the use of subsidies for the exportation of these surpluses, and they should address the issue in a more general framework without ignoring the details of it.

All these conclusions should be considered in the light of three-level games for the EU and Turkey. The WTO agriculture negotiations, in which national and international interests often clash, are common point of these games. The success of the WTO agriculture negotiations actually lies in the success of the other levels of the games. The critical level of the former is the EU's CAP negotiations while Turkey's EU membership negotiations may be claimed to be the critical level of the latter. Besides, the third levels of the games should not be ignored. In these two interrelated three-level games, the EU Members' domestic constituents and Turkey's domestic constituents are crucial levels affecting Level I and Level II which require proper use of the win-sets so as to find solutions at the international level acceptable to domestic constituencies.

Finally, as an ever-growing country, Turkey has the potential of being one of the leading developing countries in the near future, if not as a developed country. Hence, the EU membership should be considered as a process of development instead of an absolute target. The obstacles and difficulties, which Turkey has faced or may face on the path to the EU membership, should be approached as new opportunities for new experiences to become a stronger country on the world scene. Such an approach would spontaneously bring out the desired success in both national and international levels.

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ANNEXES

ANNEX I

Groups and Members in the WTO Agriculture Negotiations

Member	ACP	African Group	EU	MERCOSUR	G-90	LDCs	SVEs	RAMs	Low Income Transition	Cairns Group	Tropical Products	G-10	G-20	G-33	Cotton-4
Albania								Δ							
Angola	Δ	Δ			Δ	Δ									
Antigua and Barbuda	Δ				Δ									Δ	
Argentina				Δ						Δ			Δ		
Armenia								Δ	Δ						
Australia										Δ					
Austria			Δ												
Bangladesh					Δ	Δ									
Barbados	Δ				Δ		Δ							Δ	
Belgium			Δ												
Belize	Δ				Δ									Δ	
Benin	Δ	Δ			Δ	Δ								Δ	Δ
Bolivia							Δ			Δ	Δ		Δ	Δ	
Botswana	Δ	Δ			Δ									Δ	
Brazil				Δ						Δ			Δ		
Bulgaria			Δ												
Burkina Faso	Δ	Δ			Δ	Δ									Δ
Burundi	Δ	Δ			Δ	Δ									
Cambodia					Δ	Δ									
Cameroon	Δ	Δ			Δ										
Canada										Δ					
Cape Verde	Δ	Δ			Δ			Δ							
Central African Republic	Δ	Δ			Δ	Δ									
Chad	Δ	Δ			Δ	Δ									Δ
Chile										Δ			Δ		
China								Δ					Δ	Δ	
Chinese Taipei								Δ				Δ			
Colombia										Δ	Δ				
Congo	Δ	Δ			Δ									Δ	
Costa Rica										Δ	Δ				
Côte d'Ivoire	Δ	Δ			Δ									Δ	
Croatia								Δ							
Cuba	Δ				Δ		Δ						Δ	Δ	
Cyprus			Δ												
Czech Republic			Δ												
Democratic Republic of the Congo	Δ				Δ	Δ									
Denmark			Δ												

Member	ACP	African Group	EU	MERCOSUR	G-90	LDCs	SVEs	RAMs	Low Income Transition	Cairns Group	Tropical Products	G-10	G-20	G-33	Cotton-4
Djibouti	Δ	Δ			Δ	Δ									
Dominica	Δ				Δ									Δ	
Dominican Republic	Δ				Δ		Δ							Δ	
Ecuador								Δ			Δ		Δ		
Egypt		Δ			Δ								Δ		
El Salvador							Δ							Δ	
Estonia			Δ												
European Union (formerly EC)			Δ												
Fiji	Δ				Δ		Δ								
Finland			Δ												
Former Yugoslav Republic of Macedonia								Δ							
France			Δ												
Gabon	Δ	Δ			Δ										
Gambia	Δ	Δ			Δ	Δ									
Georgia								Δ							
Germany			Δ												
Ghana	Δ	Δ			Δ										
Greece			Δ												
Grenada	Δ				Δ									Δ	
Guatemala							Δ			Δ	Δ		Δ	Δ	
Guinea	Δ	Δ			Δ	Δ									
Guinea Bissau	Δ	Δ			Δ	Δ									
Guyana	Δ				Δ									Δ	
Haiti	Δ				Δ	Δ								Δ	
Honduras							Δ							Δ	
Hungary			Δ												
Iceland												Δ			
India													Δ	Δ	
Indonesia										Δ			Δ	Δ	
Ireland			Δ												
Israel												Δ			
Italy			Δ												
Jamaica	Δ				Δ									Δ	
Japan												Δ			
Jordan								Δ							
Kenya	Δ	Δ			Δ									Δ	
Korea (Republic of)												Δ		Δ	

Member	ACP	African Group	EU	MERCOSUR	G-90	LDCs	SVEs	RAMs	Low Income Transition	Cairns Group	Tropical Products	G-10	G-20	G-33	Cotton-4
Kyrgyz Republic								Δ	Δ						
Latvia			Δ												
Lesotho	Δ	Δ			Δ	Δ									
Liechtenstein												Δ			
Lithuania			Δ												
Luxembourg			Δ												
Madagascar	Δ	Δ			Δ	Δ								Δ	
Malawi	Δ	Δ			Δ	Δ									
Malaysia										Δ					
Maldives					Δ	Δ									
Mali	Δ	Δ			Δ	Δ									Δ
Malta			Δ												
Mauritania	Δ	Δ			Δ	Δ									
Mauritius	Δ	Δ			Δ		Δ					Δ		Δ	
Mexico													Δ		
Moldova								Δ	Δ						
Mongolia							Δ	Δ						Δ	
Morocco		Δ			Δ										
Mozambique	Δ	Δ			Δ	Δ								Δ	
Myanmar					Δ	Δ									
Namibia	Δ	Δ			Δ										
Nepal					Δ	Δ									
Netherlands			Δ												
New Zealand										Δ					
Nicaragua							Δ				Δ			Δ	
Niger	Δ	Δ			Δ	Δ									
Nigeria	Δ	Δ			Δ								Δ	Δ	
Norway												Δ			
Oman								Δ							
Pakistan										Δ			Δ	Δ	
Panama								Δ			Δ			Δ	
Papua New Guinea	Δ				Δ		Δ								
Paraguay				Δ			Δ			Δ			Δ		
Peru										Δ	Δ		Δ	Δ	
Philippines										Δ			Δ	Δ	
Poland			Δ												
Portugal			Δ												

Member	ACP	African Group	EU	MERCOSUR	G-90	LDCs	SVEs	RAMs	Low Income Transition	Cairns Group	Tropical Products	G-10	G-20	G-33	Cotton-4
Romania			Δ												
Rwanda	Δ	Δ			Δ	Δ									
Saint Kitts and Nevis	Δ				Δ									Δ	
Saint Lucia	Δ				Δ	Δ									
Saint Vincent and the Grenadines	Δ				Δ									Δ	
Saudi Arabia								Δ							
Senegal	Δ	Δ			Δ	Δ								Δ	
Sierra Leone	Δ	Δ			Δ	Δ									
Slovak Republic			Δ												
Slovenia			Δ												
Solomon Islands	Δ				Δ	Δ									
South Africa	Δ	Δ			Δ					Δ			Δ		
Spain			Δ												
Sri Lanka														Δ	
Suriname	Δ				Δ									Δ	
Swaziland	Δ	Δ			Δ										
Sweden			Δ												
Switzerland												Δ			
Tanzania	Δ	Δ			Δ	Δ							Δ	Δ	
Thailand										Δ			Δ		
Togo	Δ	Δ			Δ	Δ									
Tonga	Δ							Δ							
Trinidad and Tobago	Δ				Δ		Δ							Δ	
Tunisia		Δ			Δ										
Turkey														Δ	
Uganda	Δ	Δ			Δ	Δ								Δ	
Ukraine								Δ							
United Kingdom			Δ												
Uruguay				Δ						Δ			Δ		
Venezuela (Bolivarian Republic of)													Δ	Δ	
Viet Nam								Δ							
Zambia	Δ	Δ			Δ	Δ								Δ	
Zimbabwe	Δ	Δ			Δ								Δ	Δ	

Source: The author's compilation based on the WTO website, <http://www.wto.org>.

ANNEX II

Doha Ministerial Declaration: Agriculture

- 13.** We recognize the work already undertaken in the negotiations initiated in early 2000 under Article 20 of the Agreement on Agriculture, including the large number of negotiating proposals submitted on behalf of a total of 121 Members. We recall the long-term objective referred to in the Agreement to establish a fair and market-oriented trading system through a programme of fundamental reform encompassing strengthened rules and specific commitments on support and protection in order to correct and prevent restrictions and distortions in world agricultural markets. We reconfirm our commitment to this programme. Building on the work carried out to date and without prejudging the outcome of the negotiations we commit ourselves to comprehensive negotiations aimed at: substantial improvements in market access; reductions of, with a view to phasing out, all forms of export subsidies; and substantial reductions in trade-distorting domestic support. We agree that special and differential treatment for developing countries shall be an integral part of all elements of the negotiations and shall be embodied in the Schedules of concessions and commitments and as appropriate in the rules and disciplines to be negotiated, so as to be operationally effective and to enable developing countries to effectively take account of their development needs, including food security and rural development. We take note of the non-trade concerns reflected in the negotiating proposals submitted by Members and confirm that non-trade concerns will be taken into account in the negotiations as provided for in the Agreement on Agriculture.
- 14.** Modalities for the further commitments, including provisions for special and differential treatment, shall be established no later than 31 March 2003. Participants shall submit their comprehensive draft Schedules based on these modalities no later than the date of the Fifth Session of the Ministerial Conference. The negotiations, including with respect to rules and disciplines and related legal texts, shall be concluded as part and at the date of conclusion of the negotiating agenda as a whole.

Source: WTO, 2001c: 3.

ANNEX III

Interview Questions Asked for the Study*

1. Do you find the steps, taken by leading actors such as the USA and EU as well as relevant agriculture negotiation groups, realistic in the WTO agriculture negotiations when considering the point arrived since the Doha Round, 2001?
2. How compatible is the CAP with the decisions taken or tried to be taken in the WTO? And do you believe that the EU, which is such a protectionist Union as obviously seen in the example of the CAP for which more than 40% of the EU budget is allocated, is sincere to contribute to the WTO's initiative for liberalizing agricultural trade?
3. What do you think about the attitude and stance of Turkey in the WTO agriculture negotiations? Is it possible to define this attitude and stance of Turkey as protectionist or liberal with definite lines, or does Turkey adopt a variable approach according to certain product groups or issues?
4. At this point, what are the internal and external factors that affect Turkey's agricultural policies? And what is the place of the EU and its CAP, which could be considered as external factors, in determining Turkey's agricultural policies?
5. In general terms, how do you assess Turkey's position in the pillars (i.e. market access, domestic support, export subsidies) of the WTO agriculture negotiations? What are the points in which Turkey may be advantageous or disadvantageous in these three pillars?
6. Should Turkey adopt a common approach with the EU in complying with the decisions taken in the WTO during the agriculture negotiations and later on, or should Turkey follow an entirely independent route from the EU in these long-running negotiations which resembles the EU membership process? Besides, what may the costs and benefits of Turkey's EU compatibility in the WTO agriculture negotiations be?

* The questions were answered by Gülcan Eraktan from Ankara University, Mustafa İmir from TKIB and Okan Gaytancıoğlu from Namık Kemal University.