

# Protectionism and EU Agricultural Policy

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# Luca's contribution

AGRICULTURAL  
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## Agricultural trade restrictiveness in the European Union and the United States

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## Trade composition effects of the EU tariff structure: beef imports from Mercosur

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## Comparing EU and US Trade Liberalisation under the Uruguay Round Agreement on Agriculture

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## Tariff Aggregators in AGE models: Trade Restrictiveness in EU and US Agriculture<sup>\*</sup>

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## WTO Negotiations on Market Access in Agriculture: a Comparison of Alternative Tariff Cut Proposals for the EU and the US

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## WTO Negotiations on Market Access: What we Know, What we Don't and What we Should

J-C. Bureau and L. Salvatici<sup>1</sup>

## Luca's contribution (2)

- Measurement of the impact of the Uruguay Round, using the then state-of-the-art indicators not yet used in empirical analyses (TRI and MTRI)
- Sound methods for aggregating tariffs and constructing indicators in international comparisons
- Simulations of the impacts of WTO negotiation scenarios (Doha Round)
- Modeling the « shipping the good apples out » effect showing that trade liberalization had complex and unintended effects in the beef sector because of quality heterogeneity (Mercosur)
- Contributing to work for the EU Parliament on alternative proposals for CAP reforms

# What we believed in at the time

- I think that Luca (and I) genuinely believed in the benefits of freer trade, but within a regulated framework.
- We warned the European Commission that the composition effects of trade liberalization in products such as beef led to threats to particular subsectors
- We were not happy that regulations (food safety, ethical issues) tended to be seen merely as “non tariff barriers” by many of our trade colleagues (OECD)
- At the time, the world was different. 50 years of GATT, and the Uruguay Round Agreement had led to a reliable, balanced and rule-based multilateral system that we praised (globally)
- International specialization and enjoying Ricardian benefits made a lot of sense. The idea was that free trade agreements had to be fair and based on multilateral rules

# How has this changed?

Some 20 years later, such ideas now seem outdated. The EU and Commonwealth countries try to uphold the principle of a rule-based multilateral system. However,

- The multilateral system is no longer functioning. The Dispute Settlement Body has been paralyzed by the US administration
- China has not played by the WTO rules
  - Hidden support to its industry has been huge and non transparent (army, party). JP Butault showed in 2011 that the actual support to Chinese farmers exceeded the combined support of OECD countries measured in PPP terms, while OECD figures underestimated it considerably.
  - The anecdotal evidence of trade between the EU and China illustrates a distorted playing field (Imports of French honey not allowed in China for bogus SPS reasons while French imports of honey from China are found tainted by chemicals or isoglucose)
  - Today the EU is the receptacle of Chinese exports that were diverted from the US market because of Trump tariffs, including in agriculture through managed trade (Chinese exports of fats and oils to the US have gone down by -72% in a year and increased +48% to the EU between 2024 and 2025).

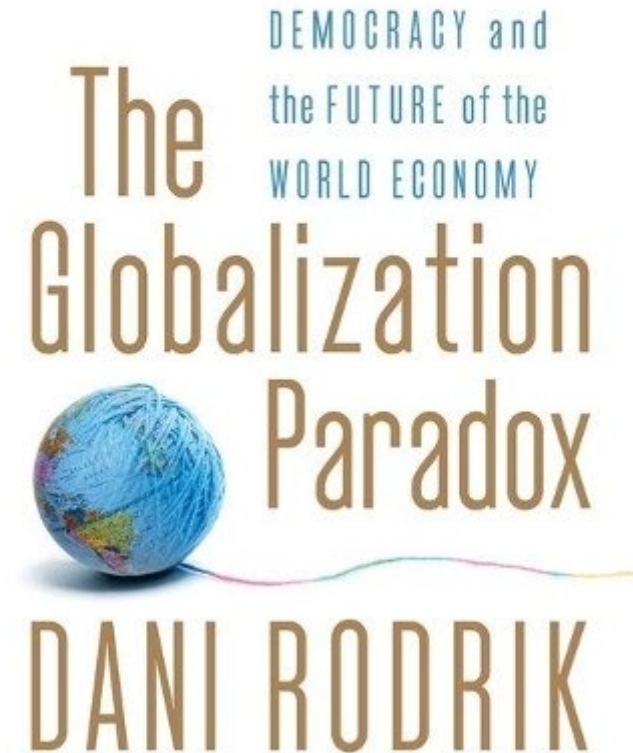
# How has this changed (2)?

- The US has trashed commitments that it had repeatedly endorsed since 1947, making trade arbitrary, unpredictable and subject to political agenda
- Unpredictability of the trade regimes imposed a de facto extra tariff on imports into the US through a tariff uncertainty equivalent
- The willingness of the EU, UK and Commonwealth countries to maintain a rule-based system (Multi-Party Interim Appeal Arbitration Arrangement) seems doomed even though the EU has made considerable and costly concessions to attract other countries (Latin America)

# Changing the relevant conceptual framework

Shifting from Ricardo to Rodrik

"Required reading for those who seek to prevent the financial crises and unfair trade practices that feed the backlash against open markets."  
—Nouriel Roubini, coauthor of *Crisis Economics*



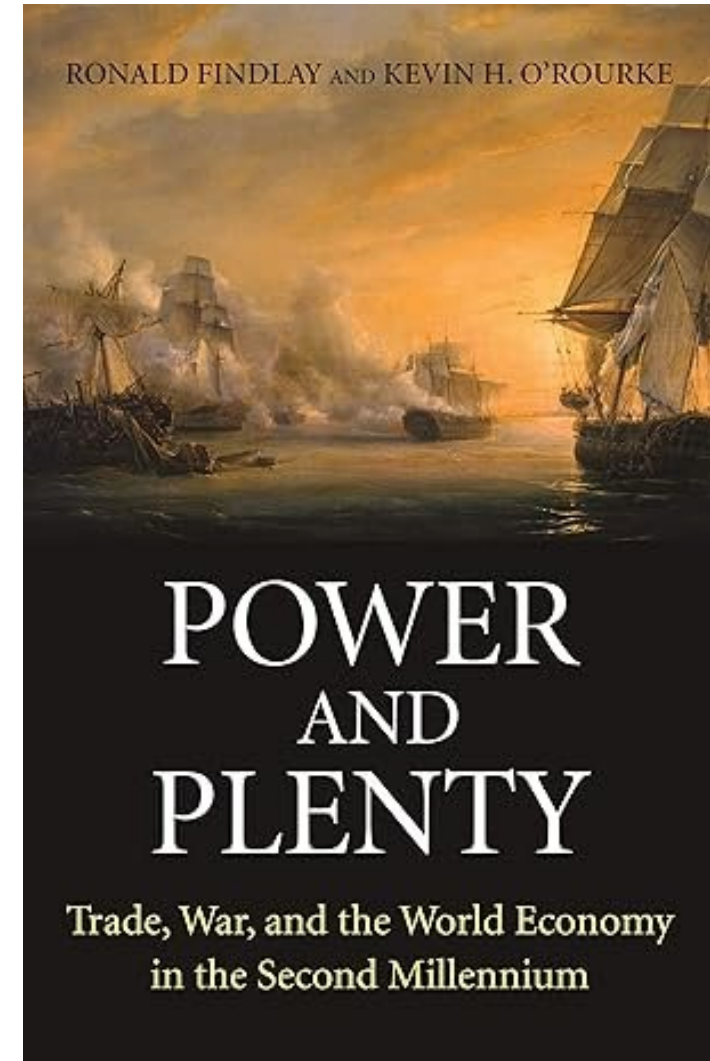
# Changing the relevant conceptual framework

## Shifting from Ricardo to Rodrik

- Rodrik's impossibility triangle now seems a relevant analytical framework. It seems impossible to combine freer trade, regulatory sovereignty and democracy
- It is becoming apparent in agriculture. The evolution of the CAP (U-turn on any kind of greening), the dismal fate of the Farm to Fork initiative, the fact that environmental and sanitary regulations are being scrapped in the definition of the future CAP illustrate Rodrik's "Golden straightjacket": the crowding-out of domestic regulations
- The REACH directive (pesticides) is unlikely to resist to large scale Free trade agreements such as Mercosur or India, to say nothing about an EU-US agreement.

# Changing the relevant conceptual framework

- Shifting from Walras to Findlay & O'Rourke



# Changing the relevant conceptual framework

## Shifting from Walras to Findlay & O'Rourke

- Foreign relations think tanks work on various scenarios, including a US-China conflict. One of them is a US-China-Russia coalition to gut and dismember the EU, both geographically (seizing territories, resources) and economically (plundering of industries and technological know-how)
- In this framework trade policy is back to the (un) virtuous cycle described by Findlay and O'Rourke in *Power and Plenty* that explains and “justifies” mercantilism: trade is a way to accumulate silver to fund military that ensures access to resources... and unbalanced trade.

# Changing the relevant conceptual framework

- The entwining of military power and trade has characterized economic relations for centuries as (brilliantly) showed by F&O'R
- Trump mercantilism now revives the middle ages/colonial era (the EU would not have signed such a bad trade agreement without the threat of the US withdrawing or even supporting Russia against Ukraine)
- The EU responds with a CAP oriented toward “food sovereignty”, to the detriment of environmental issues

# Changing the relevant conceptual framework

- If the concern is legitimate, the weight of farm lobbies translates the idea into support to more production through intensive techniques
- The latter are bound to increase dependency and non-sovereignty because of the compulsory reliance on imported inputs. Phosphorus from Russia and Morocco; Potassium from Russia and Belarus ; Nitrogen from Qatar, Saudi Arabia (ammonia), Russia and the US (urea); chemical active principles (China, India).

# What to do ?

- Trade policy must now prioritize geostrategic objectives over comparative advantages
- The current international framework is worrying. At this stage it argues for a more protectionist response from the EU towards China and the US, and with the development of rule based trade agreements with “friendly” countries
- However this requires more integrated EU policies, on the diplomatic well as military sides, and this is not the way the EU goes. Populist anti-EU forces could not have emerged at a worst time.

## What to do ? (2)

- The feeling that a “end of innocence” phase is required is now percolating EU institutions (Séjourné proposals)
- Proposals for more EU coordination, if no integration, run up against the election of Eurosceptic parties
- The CAP, which was a pillar of EU integration is now a collection of national plans. EC proposals (July 2025) will increase the balkanization of policies
- There is now little economic and legal justification for the EU budget to fund heterogeneous domestic policies (national strategic plans)
- Will some EU member states (or activists) revive the old UK “Scrap the CAP” slogan? They would have a point since the “European value added” required by the Treaties is dubious.

I deeply miss discussing these issues  
with Luca

And I thank him - and Dan Sumner  
who introduced me to him- for  
these 25 years of friendship.

