The Politics of Change:
Reforms of the Common Agricultural Policy of the European Union

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by

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ABSTRACT

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Beginning with the MacSharry reforms of 1992 and continuing under the Agenda 2000 reform package and the Fischler mid-term review reforms of 2003, the Common Agricultural Policy (CAP) of the European Union has experienced a fundamental restructuring in recent years. This was impossible only twenty years before, as proven by the quiet death of the Mansholt Plan in the early 1970s.

From where did this impetus to reform originate? I begin by tracing the history of the CAP, dividing it into two stages—1) the evolution of the CAP, ranging from its inception in the 1950s to the end of the 1970s, and 2) the modification of the CAP, from the 1980s onward.

After studying the history of the types of reform proposed and pursued, I focus on the major reform period of the last two decades. In this part of the analysis, I investigate the pressures behind CAP reform in the past fifteen years, seeking to explain how internal and external forces compelled policymakers in Brussels either to take or to refrain from action. I identify explanatory variables to characterize the politics of inertia and change within CAP policymaking and decision-making. Lastly, I classify these variables as endogenous or exogenous in nature. In doing so, I find that external pressures prompt CAP reform, while internal pressures ease reform and give it new dimensions.

Research of the topic relies upon two methods. From May 20, 2005, to June 24, 2005, I participated in Miami University’s Transatlantic Seminar, directed by Dr. Warren Mason in the department of political science. During these five weeks, seminarrians traveled to six European capitals, where participants met with various high-ranking officials of the public and private sector. These individuals serve as excellent primary sources, and some of my research draws upon these observations. Secondly, I searched traditional sources for research, including scholarly works in academic journals, primary documents and treaties, and news items from periodicals. From these I gain insight on the most recent developments relevant to my thesis.
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Reforms of the Common Agricultural Policy of the European Union:

by

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I must acknowledge the Miami University Honors Program for granting me a summer tuition waiver, thereby partially providing the financial assistance needed to attend Dr. Mason’s seminar. Their support of my endeavors over the years has enabled me to participate in a number of programs—from Boston to Brussels. Within the department, I especially acknowledge Dr. Carolyn Haynes, Dr. Enid LaGesse, Mr. Jason Lanter, and Mr. Paul Brown for their direct involvement with this project.

I am grateful to Drs. Sheldon Anderson and James Dunlevy for serving as readers on my thesis and providing me with additional feedback. Together with Dr. Mason, these three individuals embody the essence of the word “professor.”

Lastly, as always, I deeply thank my family and friends for their love, understanding, patience, and support throughout my academic career.
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<th>Full Form</th>
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<tbody>
<tr>
<td>ACP</td>
<td>African, Caribbean, Pacific Group</td>
</tr>
<tr>
<td>CAP</td>
<td>Common Agricultural Policy</td>
</tr>
<tr>
<td>CDU</td>
<td>Christian Democratic Union</td>
</tr>
<tr>
<td>CEEC</td>
<td>Central and Eastern European countries</td>
</tr>
<tr>
<td>COPA</td>
<td>Comité des Organisations Professionnelles Agricoles</td>
</tr>
<tr>
<td>DBV</td>
<td>Deutsche Bauernverband</td>
</tr>
<tr>
<td>DG VI</td>
<td>Directorate-General for Agriculture</td>
</tr>
<tr>
<td>EAGGF</td>
<td>European Agricultural Guidance and Guarantee Fund</td>
</tr>
<tr>
<td>EC</td>
<td>European Community</td>
</tr>
<tr>
<td>EEC</td>
<td>European Economic Community</td>
</tr>
<tr>
<td>EU</td>
<td>European Union</td>
</tr>
<tr>
<td>FEOGA</td>
<td>Fonds Européen d’Orientation et de Garantie Agricole</td>
</tr>
<tr>
<td>FNSEA</td>
<td>Fédération National des Syndicats d’Exploitations Agricoles</td>
</tr>
<tr>
<td>GATT</td>
<td>General Agreement on Tariffs and Trade</td>
</tr>
<tr>
<td>GMO</td>
<td>genetically modified organism</td>
</tr>
<tr>
<td>MTR</td>
<td>mid-term review</td>
</tr>
<tr>
<td>QMV</td>
<td>qualified majority voting</td>
</tr>
<tr>
<td>SAPARD</td>
<td>Special Accession Program for Agriculture and Rural Development</td>
</tr>
<tr>
<td>UMP</td>
<td>Union pour un Mouvement Populaire</td>
</tr>
<tr>
<td>UK</td>
<td>United Kingdom</td>
</tr>
<tr>
<td>US</td>
<td>United States of America</td>
</tr>
<tr>
<td>WTO</td>
<td>World Trade Organization</td>
</tr>
</tbody>
</table>
INTRODUCTION

As set forth by six brief articles (32-38) in the Treaty of Rome, the Common Agricultural Policy (CAP) is arguably the European Union’s (EU) most important vehicle of integration. Such a statement may surprise most Americans and even many Europeans, given that highly technical agricultural policy has none of the glitz and glamour of foreign and defense policy dialogues; less of the noticeable social benefits than cohesion and structural policy; and little of the media attention given to other high profile policies of economic convergence. Even so, the CAP, developed alongside the customs union, remains one of the EU’s original areas of integration and, according to some, its first “genuinely supranational policy.” In this way, University of California (Berkeley) researchers John Peterson and Elizabeth Bomberg rightly cite the CAP as a “cornerstone” of the EU and a key to understanding Brussels’ complex decision-making processes.

With such an extensive history as an element of EU policy, the CAP has formed a crucial part of the saga behind Europe’s drive to union. For instance, its divisiveness has spurred a number of crises in the European Council, such as de Gaulle’s “empty chair” conflict and subsequent resolution by the Luxembourg compromise. Even today, CAP disputes regularly enter the ambit of contentious high politicking, most recently in the European Council’s failure to agree upon the 2007-2013 financial perspectives in June 2005. The centrality of the CAP to the EU is unquestionable.

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1 See Appendix A for the original, un-amended text of the Treaty of Rome.
Similarly, the CAP also takes on great importance within the EU because of its burden on budgetary expenditure. Agricultural subsidy dominates Brussels’ strapped resources, comprising a staggering 90% share of the budget in the 1970s, over 50% in the 1990s, and still some 43% projected for 2013. Even given these relative decreases in its share of the budget, CAP expenditure continues to increase consistently in absolute terms, despite efforts to reduce this as well. These high levels of subsidization and economic inefficiencies are striking at first, especially considering the fading role of agriculture in terms of employment and national income.

Table 1.1: Agriculture’s Declining Share in Economic Activity

<table>
<thead>
<tr>
<th>Country</th>
<th>Share of Employment</th>
<th>Share of National Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>32.0</td>
<td>n/a</td>
</tr>
<tr>
<td>Belgium</td>
<td>12.0</td>
<td>3.9</td>
</tr>
<tr>
<td>Denmark</td>
<td>22.0</td>
<td>9.4</td>
</tr>
<tr>
<td>Finland</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>France</td>
<td>32.0</td>
<td>11.9</td>
</tr>
<tr>
<td>Germany</td>
<td>23.0</td>
<td>7.3</td>
</tr>
<tr>
<td>Greece</td>
<td>54.0</td>
<td>n/a</td>
</tr>
<tr>
<td>Ireland</td>
<td>40.0</td>
<td>25.1</td>
</tr>
<tr>
<td>Italy</td>
<td>39.0</td>
<td>16.3</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>26.0</td>
<td>9.5</td>
</tr>
<tr>
<td>Netherlands</td>
<td>19.0</td>
<td>6.6</td>
</tr>
<tr>
<td>Portugal</td>
<td>47.0</td>
<td>n/a</td>
</tr>
<tr>
<td>Spain</td>
<td>49.0</td>
<td>n/a</td>
</tr>
<tr>
<td>Sweden</td>
<td>18.0</td>
<td>n/a</td>
</tr>
<tr>
<td>UK</td>
<td>5.0</td>
<td>2.9</td>
</tr>
<tr>
<td>EU-15</td>
<td>n/a</td>
<td>n/a</td>
</tr>
</tbody>
</table>

6 Because data was unavailable for some years, year markers are approximations (±4 years).
Nonetheless, agriculture remains a significant part of cultural mindsets and societal cohesion in Europe. The romantic meme of the wholesome, hardworking small farmer lives on as a common cultural belief, regardless of its truth. At the behest of the European Commission, Eurobarometer, a polling outfit for the EU, has regularly measured the views of European citizens on the CAP since 2000. Given a variety of options, a plurality of those polled (32%) believe that the CAP’s goal remains to “ensure stable and adequate incomes for farmers.” Even so, in 2004, a plurality (20%) believed that the CAP benefited consumers more than farmers. The Special Eurobarometer on agriculture for 2005 concludes that:

When asked to rate the way CAP is currently playing its role, the results show that Europeans have quite a positive opinion. In most of the areas tested, a relative majority considers that the CAP is playing its role fairly well.  

Agricultural politics play a critical role in the framework of EU politics, but to understand a major policy initiative like the CAP, one must first understand the political forces that drive and shape that policy. Such forces and influences are most apparent during times of change. “It is because the CAP is a policy of central importance,” writes German academic Elmar Rieger, “that the major social and political forces which underlie and sustain it remain largely invisible.” This analysis attempts to illuminate these dim forces and finally elucidate why such a notoriously inertial policy has undergone such an uncharacteristically thorough transformation in the past two decades.

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8 Ibid. p. 35.
By focusing on the politics of policy change, not only will the substance of the evolution of European agricultural policy be studied, but also change-making political forces—some unique to the EU and others universally applicable. These change-making forces can be classified as endogenous or exogenous pressures. This taxonomic approach allows for an analysis of how these pressures interact and produce change.
Part I: STAGES OF REFORM

Chapter 1: The CAP in Evolution

The history of the European Union’s common agricultural policy is not one of radicalism, but the most delicate incrementalism. This is most evident in the first stage of CAP reform—the “evolution” of the policy from its launch in 1957 to the mid-1980s. The usage of the term “evolution” denotes a process of gradual and relatively peaceful social, political, and economic advance from relative simplicity to relative complexity. This period is followed by the second stage of reform, dubbed the “modification” of the CAP—meaning, the introduction of new ideas and methods to agricultural policymaking in a move to modernity. The rupture between the two stages in the mid-1980s, initially provoked by a series of EU budget crises, reveals a number of explanatory variables later analyzed and categorized as they relate to CAP reform. The history examined in this analysis is not meant to be a complete retelling; rather, the focus is on briefly studying the various political influences and approaches that effected change throughout the years in this particular policy competency of the EU.

The inclusion of agricultural policy in the Treaty of Rome is thought to shape one side of the original “package deal” which enabled the creation of the European Economic Community (EEC) in 1957. That is, because France feared that West Germany’s highly efficient industrial and manufacturing sectors would overrun the French economy, Paris sought to include its comparably efficient agricultural sector as a counterweight, thereby balancing West Germany’s economic power. Naturally, Bonn resisted the CAP, primarily
because inefficient West German farmers traditionally enjoyed higher price support levels than even the CAP would provide. Even so, West Germans accepted the general idea of having agriculture included in the common market, acknowledging the great benefits expected from the customs union as well as the overarching need to be accepted and included by the global community after provoking two world wars. Surprisingly, France originally opposed the idea of a common market for agriculture; in fact, the Netherlands was the CAP’s champion. Instead, Paris preferred simple bilateral exporting arrangements—a more familiar system of trade management. France’s agricultural recovery, however, proceeded much more quickly than expected, with the country producing substantial surpluses already in 1955. Viewing the CAP’s larger export market as better able to serve their national interests, therefore, the French reversed course and joined the Dutch in support of the CAP.  

The six Treaty of Rome signatories initially shared remarkably similar philosophies about agricultural support policy. All except Belgium had some form of price support mechanism in place. British economist Robert Ackrill estimates that “[i]n France, Germany, Luxembourg, and the Netherlands, over 70% of agricultural production was subject to guaranteed prices” before 1957. Import levies and intervention buying were also common practices across the young Community. In effect, what became the CAP of the EEC was, at its heart, a continuation and extension of national policies already set in place after World War II.

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11 Ibid. p. 27.
The text found in the Treaty of Rome\textsuperscript{12} was predicated upon three principles, largely reflecting French interests. First, because the success of open agricultural trade relied upon the free movement of goods, the CAP provided a greater opportunity to create a single market. Second, the CAP relied on “Community preference,” that is, protection against nonmembers. In this way, the customs union and common external tariff would protect European agriculture and allow it to modernize and prosper. The justification of protection rested in the vast food shortages following World War II: Europeans wanted a self-sufficient food supply. The third principle was financial solidarity; that is, as a compulsory expenditure of the founding treaty, all members would be required to pay for CAP financing.

Negotiations to determine the details of the CAP were held through 1961. Perhaps the most interesting conference occurred in Stresa, Italy, in July 1958. Here, each EEC member clarified its position on the emerging CAP. The French, desiring the European market to absorb its surpluses, pushed for the organization of markets across Europe via a managed trade system. In this way, its fellow EEC members would serve as outlets for its exports and excess production. France, however, stopped short of requesting full liberalization of European agricultural markets, particularly in sectors where it lacked a comparative advantage. The Dutch grew disenchanted with the self-interested, nationalistic overtones of the French position and sided with the Italians who wanted open and complete trade liberalization. Still, Rome’s position also reflected its national

\textsuperscript{12} See Appendix A for the Treaty of Rome’s original text. (Subsequent to 1957, this text has been renumbered and amended. However, the original text is included here in order to show the initial setup and intentions of the policy.)
interests: Italian farmers could benefit greatly from a liberalized market because Italy produced uniquely Mediterranean foodstuffs.

But Paris found complete liberalization unacceptably Anglo-Saxon in nature. Fortunately for the French, they found a partner in the West Germans. As noted, West Germany had already expressed only lukewarm support for the CAP and sought to limit its scope initially. As the EEC’s two major players economically and politically, Paris and Bonn triumphed in implementing the French model for the CAP. Consequently, price supports and market intervention became agricultural policymakers’ primary tools.

Paris also acted aggressively for another reason, related to the balance of power in Europe. Despite their alliance and close cooperation during World War II, Franco-British relations soured after the war as each competed to craft Europe’s image and future in its own national mold. The British viewed the EEC as a European free trade area—and nothing more—perhaps due to their insularity from the continent and special relationships with both the United States and Commonwealth. On the other hand, the French preferred to see the EEC as a vehicle for integrating Europe along French values. As a result, Paris pressured its fellow EEC members for a quick, timely implementation of the CAP in order to make the EEC less desirable to London. Moreover, by crafting the CAP before London had a chance to accede to the EEC, the British would have no say in establishing the CAP’s crucial foundations and precepts. The British, dismayed but undaunted, still applied for EEC membership in late 1961 and 1967, only to be blocked by Charles de Gaulle each time. At a press conference on January 14, 1963, de Gaulle boldly declared:
England in effect is insular, she is maritime, she is linked through her exchanges, her markets, her supply lines to the most diverse and often the most distant countries; she pursues essentially industrial and commercial activities, and only slight agricultural ones. [emphasis added]

De Gaulle and his ardent nationalism would once again rock the EEC and the evolution of the CAP in 1965. In this year, Commission President Walter Hallstein presented three proposals\(^\text{13}\) that embellished EEC power and sovereignty at the expense of its members—anathema to de Gaulle. Hallstein recommended that the European Agricultural Guidance and Guarantee Fund (EAGGF)\(^\text{14}\) fully finance the CAP with the EEC’s customs’ duties.\(^\text{15}\) In effect, Hallstein sought to bring the EAGGF into the Community’s emerging “constitutional framework”\(^\text{16}\) and thereby grant the EEC more ability to control its already spiraling costs.

The proposal garnered positive reactions from most members, including West Germany, Italy, and the Netherlands. But de Gaulle, perhaps influenced by his personal dislike for Hallstein, instructed all French ministers simply to walk out and refuse to attend any further EEC proceedings. He derided Hallstein’s ambition for a federal Europe, calling it an “abusive and fanciful myth [set] against common sense and reality.” De Gaulle continued:

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\(^\text{13}\) In addition to the proposal noted in text, Hallstein also proposed that the EEC have its “own resources,” generated by customs duties, and that the Parliament would then have additional budgetary jurisdiction.\(^\text{14}\) Some texts may use the French acronym FEOGA (Fonds Europeen d’Orientation et de Garantie Agricole).\(^\text{15}\) Previously, the EAGGF had been established as a fund “separate” from the EEC, as the EEC did not have its “own resources.” At the time, EAGGF funding derived from a subscription from member states based on gross domestic product. Hallstein’s initiative stemmed from an earlier agreement among the member states to fund the EAGGF via customs’ duties after the single market had made significant progress. Although Hallstein’s proposal would fail, eventually the EAGGF would be “self-financed” in part from customs’ duties.\(^\text{16}\) Hallstein’s words, from “A New Path to Peaceful Union”—perhaps a bit prideful and ill-advised given de Gaulle’s France.
Now, we know — heaven knows that we know! — that there is a different concept of a European federation in which, according to the dreams of those who conceived it, the countries would lose their national personalities, and in which, furthermore, for want of a federator — such as, in the West, Caesar and his successors, Charlemagne, Otto I, Charles V, Napoleon and Hitler tried to be, each in his fashion, and such as in the East, Stalin tried to be — would be ruled by some technocratic, stateless and irresponsible Areopagus.\(^\text{17}\)

The resulting “empty chair crisis” begun in July was only resolved months later by a compromise offered by the Luxembourg delegation. The “Luxembourg compromise” of January 1966 allowed any member state to postpone indefinitely — effectively, to veto — any proposal thought to threaten important national interests directly and unfairly. As a result, rather than qualified majority voting (QMV), unanimity became the modus operandi of the Council of Ministers, which tended to water down legislation. For all practical purposes, this allowed France to shape the CAP according to its own terms; thus, the long French tradition of *dirigisme*—specifically, of price supports and market intervention—came to rule the roost in EEC agricultural policymaking.\(^\text{18}\) Price supports rose without exception from the 1960s until the mid-1980s, and these decisions on prices constituted the majority of agricultural negotiations for these two decades.

Yet, these two decades were not without attempts to modify, rather than evolve, the CAP, although these modification efforts were entirely unsuccessful. The first notable effort occurred under the leadership of Sicco Mansholt, the EC’s\(^\text{19}\) agricultural commissioner from 1958 to 1972. By the late 1960s, he outlined a curious plan to transform Europe’s farming sectors by cutting the agricultural labor force by half and

\(^\text{17}\) De Gaulle’s statement is from a press conference held on September 9, 1965.
\(^\text{19}\) The Merger Treaty of 1967 renamed the EEC the “European Community,” or EC. EC will be used hereon.
devoting agricultural land to other uses. In this way, Mansholt sought to lessen the ever-increasing levels of surpluses, already mounting in costly warehouses and storage facilities.

However, as stressed in this chapter’s introduction, European agricultural policymakers—in this case, the EC’s Council of Agricultural Ministers\(^{20}\)—dislike radical reform measures. Especially distasteful was Mansholt’s recommendation to transform the employment landscape of pastoral Europe in a time of rural exodus. In any case, the Council certainly lacked the political will to take on such an ambitious project. Agricultural ministers often prefer mild solutions that cater to national interests and work within the existing CAP framework. Rosemary Fennell, a former EC official and current Oxford University professor, concludes:

> It is true that the cost of the CAP was already the object of much criticism and that surpluses were unpopular, and a source of embarrassment. But the Council of Ministers was being asked to take decisions of momentous importance which required it to accept that earlier policies had been a failure, to pin its faith on a plan which meant a switch of resources away from price support into structural reform on a massive scale, and to accept that this would result over a ten-year period in a fundamental restructuring of the farming sector. To have done these things would have required courage, daring, and vision—not qualities one normally associates with Ministers for Agriculture.\(^{21}\)

As a result, the Council simply ignored the Mansholt Plan, not dismissing it but not giving the Commission any feedback on its acceptability. It died a quiet, pigeonholed death, and Mansholt left the Commission in 1973.

\(^{20}\) The Council of Agricultural Ministers will be referred to as simply the Council from hereon, although the tongue-in-cheek French acronym COMA may be seen in other texts.

Buffeted by oil shocks and poor harvests, the 1970s presented challenges to agriculture across the world. In addition to these global economic difficulties, the EC also faced a new internal trial. The Community experienced its first enlargement, with Ireland, Denmark, and—at long last—the United Kingdom (UK) acceding in 1973. The UK and Denmark had very efficient agricultural industries, especially in the dairy sector, so both London and Copenhagen grew critical of wasteful CAP spending as their farmers needed no additional help to be competitive. At the same time, Ireland lagged behind most other EC members in terms of economic prosperity and farm efficiency. On the whole, the inclusion of three new members further burdened the EC’s resources, with the UK and Denmark churning out “butter mountains” while Ireland languished behind the Community due to its lack of modernization.

As a result of the mounting pressures of the 1970s, the first serious attempt to introduce an evolutionary CAP reform occurred in 1977 when the Commission, with the Council’s assent, enacted a co-responsibility levy. Intended to discourage surpluses and demonstrate to farmers the consequences of their actions, the levy imposed a tax on excess production. Revenues generated by the EC would then be appropriated to store or dispose of surplus foodstuffs. Unfortunately, because the Council continued to increase price support levels in each successive year, the levy had no effect on surpluses—which actually increased.22 The program was soon abandoned, but some reform-minded policymakers gleaned an important lesson from the failed levy: without cuts in price supports, discouraging excess production looked to be an uphill battle.

Aside from the problem of surpluses, the Community generally found little to criticize in the CAP. Indeed, European agriculture had experienced considerable modernization and rationalization under the CAP. Farming incomes had grown in parallel with those in other sectors. Agricultural markets had stabilized in that shortages and major price fluctuations were a thing of the past. Above all, the EC had achieved self-sufficiency. In fact, in 1980, the Commission reported that the CAP had broadly met its intended objectives and needed only marginal change.\(^{23}\) So, until the 1980s, the CAP’s basic structure had changed little; it consisted of an increasingly complex price support system, sustained by harmonized import tariffs and quotas. What little evolution had taken place smacked of French *dirigisme*, with modification reforms repeatedly rejected.

By the 1980s, the EC budget had finally met a crisis point. The EC found itself running a deficit for the first time in 1982—an illegal situation as the Community is legally bound to have a balanced budget. In order to scale back price supports, the Commission and the Council employed an indirect method aimed at decreasing surpluses, dubbed guarantee thresholds. If production exceeded such a threshold, then the Council would be legally bound to reduce the price support for the following year by a certain percentage. The indirectness of the proposal came via the Commission’s assurance that the guarantee thresholds did not intend to “throttle back the levels of output which Europe’s farmers had managed to attain…but to ensure that producers contributed to a

\(^{23}\) Despite meeting these goals, the CAP did fail to meet its objective of providing consumers with “reasonable” prices. However, this was admittedly a low priority of the Community initially, and historically, European consumers voice little discontent despite the high food prices they pay. A study of the Eurobarometer’s special reports on the CAP reveals this surprising fact. Certainly, the complacency—and, even, support—of EU citizens regarding the CAP, farmers’ incomes, and rural initiatives helps to explain the politics of inertia studied in Chapter 3.
greater extent towards the cost of mounting excess production.” Thus, the EC had reintroduced a measure of co-responsibility. In practice, however, both the Council and individual EC members found loopholes to avert price support cuts. In the Council’s case, ministers first agreed upon a “normal” price rise for the next year and then skimmed the threshold percentage off the top; the result was a net increase in price supports. In other cases where the net effect was indeed a price cut, certain member states’ ministers formed coalitions to oppose the proposed lower price level. Guarantee thresholds eventually met the same ill fate as the co-responsibility levies, but they did work as a stopgap to avoid a nominal deficit in 1982. Overall, though, co-responsibility had failed as a permanent dressing for Brussels’ wounds: in 1983, a nominal deficit was incurred.

<table>
<thead>
<tr>
<th>Year</th>
<th>Total &quot;Own Resources&quot;</th>
<th>Total Expenditures</th>
<th>Budget Deficit/ Surplus</th>
</tr>
</thead>
<tbody>
<tr>
<td>1979</td>
<td>€ 16,789.6</td>
<td>€ 14,367.1</td>
<td>€ 2,422.5</td>
</tr>
<tr>
<td>1980</td>
<td>€ 18,177.8</td>
<td>€ 16,290.4</td>
<td>€ 1,887.4</td>
</tr>
<tr>
<td>1981</td>
<td>€ 20,702.3</td>
<td>€ 17,792.8</td>
<td>€ 2,909.5</td>
</tr>
<tr>
<td>1982</td>
<td>€ 22,149.8</td>
<td>€ 20,422.7</td>
<td>€ 1,727.1</td>
</tr>
<tr>
<td>1983</td>
<td>€ 23,041.1</td>
<td>€ 24,313.0</td>
<td>(€ 1,271.9)</td>
</tr>
<tr>
<td>1984</td>
<td>€ 24,880.0</td>
<td>€ 27,523.6</td>
<td>(€ 2,643.6)</td>
</tr>
</tbody>
</table>

In 1984, the EC forecasted its first deficit. In response, the Commission attempted to take direct action at reducing surpluses by imposing a quota on EC milk production—one of the costliest areas of the CAP. The milk quota operated in a manner somewhat akin to the co-responsibility measures that preceded it, but in a more aggressive fashion. Production in excess of the quota triggered the levying of a large fine on the producer.

25 Sources for Table 2: Ackrill (2000): p. 87 and own calculations.
Still, the milk quota scheme met two major problems. First, the member states exploited a loophole in the quota agreement.\textsuperscript{26} Rather than calculate each individual producer’s surplus and then implement the levy, the member states tallied all national milk production together and then balanced out the excess production. Only then was the fine imposed. Not only did this protect surplus producers, but it also decreased the chance that production would trigger the EC fine in the first place. Second, administering the quota regime was a hard task, susceptible to fraud and inaccuracy. Consequently, the milk quota system never reduced EC budget costs as intended.

The Community had at last come to the brink of budgetary crisis. Only creative bookkeeping saved the EC budgets of 1984-1986 from going in the red; EC accountants pushed the deficits from one year to the next in order to save face. Clearly, such a solution could not last. The time for genuine CAP reform and modification had arrived.

\textsuperscript{26} This loophole would be closed in 1986.
Chapter 2: The CAP Reformed

1984 marked the turning point for EC agricultural policymaking and the CAP. As Ackrill notes, “Reform of the CAP ha[d] shown to be an issue of crisis management.” As discussed, the EC had exhausted its budgetary resources; the Community had forecast—and realized—it first deficit. As the milk quota system faltered, a meeting of the European Council in Dublin that December yielded a much needed budget reform—the principle of “budgetary discipline”—that opened the gates for CAP reform. While reaffirming the Council’s power to set the Community’s budget framework, or financial perspectives, the Dublin agreement also established a guideline for future CAP spending. CAP expenditure had to increase at a rate less than that of the EC’s “own resources.” Not only had CAP funding been contained for the first time, but it had also been linked to the EC budget—not an insignificant development. National agricultural ministers now were forced to consult with ministers from other areas of expenditure. This brought pressure to bear on agricultural policymaking from ministers of finance, labor, and so on.

Even amid this atmosphere of financial restraint, British Prime Minister Margaret Thatcher successfully negotiated the “British rebate” earlier that June. The Iron Lady of Britain validated the rebate by accusing the EC of forcing the UK to subsidize European agriculture. Regarding this, she famously demanded “I want my money back” at a particularly strained conference at Fontainebleau. Thatcher’s “handbag diplomacy”

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28 Ibid. p. 87.
succeeded, and the UK would be annually refunded two thirds of its contribution to the
EC.

The last piece of the puzzle fell into place at the end of 1984, when an aggressive
new Commission came to power led by President Jacques Delors. Delors, along with his
Agricultural Commissioner, Frans Andriessen, and Budget Commissioner, Henning
Christophersen, were prepared to take on the CAP unlike any previous team of
commissioners. Strengthened by the budgetary crises and the British rebate, Delors
announced the Commission would seek to cut price support levels by 3.6% across the
board—a landmark and novel proposal, unmatched in its boldness. Naturally, the Council
members immediately resisted, particularly the West Germans due to the high price
supports its farmers had come to enjoy. Bonn negotiated the percentage of cuts down by
half, but even then suggested it would “veto” the proposal via the Luxembourg
compromise. The Delors Commission was outraged at Bonn’s inflexibility and proceeded
to criticize and isolate the capital strongly. The West Germans had never experienced
such alienation and, as a people who value consensus politics and compromise, soon
removed the veto threat. For its part, the Commission had already stymied the Council
and proceeded with the 1.8% cuts through a complex legal loophole. In effect, the
Commission’s actions put the Luxembourg compromise on questionable footing,
especially as QMV began to take precedence in agricultural decision-making.29

The Delors Commission’s success at reigning in CAP expenditure waned through
the late 1980s. Following the first set of price cuts in 1985, Delors was only able to freeze

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29 See Chapter 4 for more information.
price supports in the next two years. Budgetary crises continued and intensified significantly as the EC absorbed its newest, poorest members—Spain, Portugal, and Greece—in its second enlargement. In response, Delors oversaw the publication of two influential reports designed to push CAP reform in different ways. One, a green paper, advocated continued price support reductions in addition to a shift to direct payments to farmers’ incomes. The other focused on the inequity perpetuated by the unreformed CAP; it came to the oft-referenced conclusion that 80% of CAP expenditure went to 20% of the EC’s farmers. In a sense, the Delors Commission sowed the seeds of future reform with these “observations,” which future agricultural commissioners would take to heart.

Agricultural Minister Ray MacSharry of Ireland exemplified the Delors Commission’s thinking. Following the recommendations outlined in Delors’ green paper, MacSharry repackaged the idea as “decoupling”—a concept which eventually became the backbone of CAP reform for years to come. Decoupling earned its moniker due to its objective of separating support from output (i.e., surpluses) and toward input (i.e., farmer incomes). In addition, MacSharry made direct income compensation contingent upon maintaining a level of set-aside land; thus, fallow fields and thinner herds became compulsory in order to qualify for income compensation.  

While this did not decrease the nominal money allotted to the CAP—in fact, it actually increased—MacSharry’s reforms focused on longer term effects. For example, decoupling aimed to reduce the rate of CAP increases, providing better predictability and more rational expectations for policymakers. Simultaneously, the reforms scaled back

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CAP’s share of the EC’s resources in relative terms. At the same time, MacSharry, as a negotiator at the Uruguay Round of the General Agreement on Tariffs and Trade (GATT), understood the growing pressures of globalization. Price supports had come under fire in the round, while direct income supports were still out of the GATT’s limited reach. As international demands mounted, decoupling offered the best solution to alleviate pressure from free traders while still supporting EC farmers.

GATT also served another purpose; it bound the hands of the Council. Because of MacSharry’s wide negotiating mandate, normally inertial agricultural ministers found themselves coerced into accepting the commissioner’s reform package. A bitter pill to swallow, the French in particular tried to renegotiate the terms of the MacSharry reforms and GATT concessions, but met only with minor success. For once, the spirit of the CAP reform held fast. Consequently, farm incomes and production imbalances improved while consumers bore less of the CAP’s burden.

Still, this rosy picture of the MacSharry reforms did not completely take hold in among national agricultural ministers. The Council still exhibited a strong preference for stasis over dynamism regarding agricultural policymaking. Regardless, when the time for reform came again in the late 1990s, the Commission stuck with decoupling as the primary strategy of reform; after all, not only had it passed through the Council in the early 1990s, but it had worked well in practice. Under the banner of Agenda 2000, a set of institutional and policy reforms to ready the EU for eastern enlargement, the Commission proposed further decoupling as well as new rural development initiatives—a

\[31\] The Treaty on European Union (or Maastricht) Treaty of 1992 renamed the EC the “European Union,” or EU. EU will be used hereon.
so-called “second pillar” of the CAP. The inclusion of such initiatives occurred for two basic reasons. First, the Treaty on European Union of 1992 had called for environmental concerns to be taken into account when forming EU policy. Second, scares over food safety, such as mad cow disease and the usage of genetically modified organisms (GMOs), riddled the headlines of the late 1990s. The European citizenry had demanded greater environmental protection and food safety measures, and Brussels was expected to respond by expanding the CAP beyond mere subsidization.

The Council had other ideas on reform. Fearing change, or perhaps because of the necessity of it, an honest debate on CAP finance reform unfolded in advance of Agenda 2000. Germany, as the EU’s underwriter, advocated “co-financing” the CAP by partially shifting the burden of funding the farmers back to the individual member states. One report estimated that the German plan would have saved Berlin nearly €700 million annually, with Rome also saving some €100 million as well. On the other hand, France and Spain stood to lose over half a billion euros respectively per annum from co-financing since both disproportionately benefited from the EAGGF. With Irish support, France and Spain blocked the proposal. As a “least worst” alternative, France offered “degressivity” as a solution, meaning the gradual reduction of the direct income support levels introduced by MacSharry. Although Paris found an ally in London, Berlin—as always, opposed to lower payments for its farmers—impeded the proposal for the time-being.

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In the end, the Council’s ideas remained stalled, so the Commission’s proposal on decoupling and rural development forged its way to the ministers in early 1999. Unlike with the MacSharry reforms, the Council found itself as the ascendant power in the EU despite its internal bickering for a number of reasons. First, because *Agenda 2000* sought to avert a future crisis rather than address a current one, the ministers were under far less pressure to reform immediately. Second, Germany held the presidency for the first half of the year and promised resolution of the issue. However, because Berlin had previously stated its general opposition to the *Agenda 2000* reforms, it had weakened its negotiating position considerably from the start. Complicating matters for the Germans was Chancellor Gerhard Schröder’s sagging popularity, brought on by problems at home. Thus, in the face of a weak presidency, *Agenda 2000* sputtered. Third, the mounting crisis in Kosovo—and the EU’s helplessness to address it—brought new questions about the EU’s ability to execute its collective decision-making responsibilities and supranational competencies. Lastly, allegations of fraud and corruption forced the resignation of Jacques Santer’s Commission, thereby making the Council the preeminent policy forming body. The EU had lost face with the public. Ultimately, this allowed agricultural ministers in the Council—once again, mainly the French—to delay and water down the Commission’s proposals, so much so that *Agenda 2000* almost resembles an evolution, rather than modification, of the CAP.

Nevertheless, *Agenda 2000*’s second pillar measures allowed for significant innovation. For instance, the reform created a new fund, the Special Accession Program

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for Agriculture and Rural Development (SAPARD), designed to assist in Eastern Europe’s economic and agricultural convergence with its western neighbors. With a budget of €520 million, SAPARD offered traditional assistance to eastern agriculture, such as developing more efficient production through modernization. However, the most noteworthy aspects of SAPARD were its second pillar provisions. For example, SAPARD also aimed to improve food quality standards, environmental protection, and job security in the East. As elements of the CAP, such provisions seemed novel, presenting a rough draft for future CAP-specific second pillar reforms.  

It would take the actions of another courageous agricultural commissioner to effect deep CAP reform. Franz Fischler of Austria would take up MacSharry’s banner for the 21st century. Noting the weakness of the reforms implemented by Agenda 2000 and anticipating a new round of agriculture-centric trade negotiations, Fischler laid out a “European model of agriculture” in his mid-term review (MTR) of 2002. The MTR served a dual purpose—to initiate an innovative set of CAP reforms and to justify Europe’s agricultural subsidization program to the critics of the Doha Round. As such, Fischler couched his discussion of the CAP in grandiose terms. He wrote of the social mission of the CAP to ensure European solidarity and national cohesion. Along these lines, Fischler introduced new second pillar dimensions of the CAP, tying payments to compliance with these goals. Environmental and health standards, quality of life, and even cultural diversity became the heart of the modified CAP—core components of its  

34 Baimbridge et al. (2004). p. 156
second pillar. In its entirety, Fischler hoped the “multifunctionality” of the CAP would appear far more selfless than the crude subsidization of farmers.

In addition to highlighting the CAP’s nascent second pillar, the MTR reforms also continued to decouple subsidy from production, in line with its ambitious predecessors. Nevertheless, Fischler went further, arguing for total decoupling as well as more degressivity in price support levels. Fischler planned to divert the revenue released from price supports to both his second pillar initiatives and dynamic modulation, a program designed to solve the relative income inequity and disparities between small and large farmers. The ambitious scheme detailed in the MTR, however, derailed after France and Germany agreed to resist full decoupling. Indeed, Fischler’s proposals were quite radical in nature, and conciliation had been built into the MTR’s expectations.

The end result—another compromise reached in 2003—still featured some linkage between second pillar compliance and payments to farmers, but the French and Germans had won the row over decoupling. Nevertheless, Fischler’s triumph regarding the second pillar was no small feat. Rural development expenditure within the EAGGF jumped from 10.4% in 2002\textsuperscript{35} to a 15.2% in 2006,\textsuperscript{36} cementing the second pillar into place as the future of the CAP.

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Part II: ANALYSIS

Chapter 3: The Politics of Inertia

Chapter 1 opened by characterizing the CAP as a policy that changed via “the most delicate incrementalism,” rather than radicalism. Even in times of extensive reform, this generalization largely holds true. What explains this inertia, accepted as an inherent part of European agricultural policy reform? Looking back at the history of CAP evolution and reform, three broad explanations arise to account for the CAP’s resistance to change—the centrality of national interests in EU agricultural policymaking, the determinant role of the Franco-German power axis, and the “snowball syndrome” of the CAP.

1. The centrality of national interests in EU agricultural policymaking. One need look no further than the very creation of the CAP to find the dominant role national interests have played in forging this contentious policy. The French, for example, only threw their weight behind the CAP once they saw a European export market as beneficial to their economy. The CAP itself took form as projections of already existing national policies, rather than something *sui generis*. Perhaps the best embodiment of the nationalist spirit came in the form of Charles de Gaulle, who precipitated major EC crises over his disagreement on the CAP.

To say that national interests play a principal part in CAP reform, however, is to state the obvious. How did this come to pass in a policy area intended to be as supranational as the customs union? Quite simply, during the CAP’s evolutionary phase,
the Council—which, as a forum for individual states, embodies the intergovernmental spirit—held all the cards. Voting on the basis of unanimity (via the Luxembourg compromise) until the early 1980s, agricultural ministers easily thwarted any legislation deemed too distasteful by their home governments. In this way, by not yielding any gains secured by their predecessors lest they be perceived as weak, agricultural ministers saved face politically with their fellow domestic ministers. Agricultural policy thus pandered to the lowest common denominator of the group.

Even in the late 1980s, as the spirit of change unwelcomingly swept over the Council, early reform efforts by Commissioner Ray MacSharry failed partly due to the anti-reform presidencies lined up in the Council’s rota. Spain, France, and Ireland—all notorious supporters of the status quo vis-à-vis the CAP—he ld the EC Presidency in 1989 and 1990. Only after reform-minded members assumed the presidency in 1991 and 1992—namely, the Luxembourgers, Dutch, and Portuguese—did MacSharry’s window of opportunity finally begin to open.\(^{37}\) With Council presidents receptive to reform and a wide negotiating mandate at the Uruguay Round, MacSharry reversed the CAP’s inertia.

Today, some debate persists over whether the CAP has remained true to its supranational roots. Alan Greer, a British professor, has asserted that the CAP has devolved into an intergovernmental policy due to a variety of internal and external reform pressures. Some competencies have “spilled back” to national governments, while others have “spilled over” into other policy areas. As a result, the CAP is not only less common,

\(^{37}\) Ackrill (2000). p. 175
but also less agricultural in nature.\(^{38}\) If Greer is indeed correct, then national interests may have succeeded almost too well in unraveling the CAP’s most fundamental rationale—of uniting European agriculture to make it, in essence, Europe’s problem.

2. The determinant role of the Franco-German power axis. Douglas Webber, a former fellow at the EU’s European University Institute and current professor at the European business school INSEAD, portrays the “intensity” of Franco-German relations to be “unique in the wider world, not just the EU.”\(^{39}\) Peterson and Bomberg agree, stating that the EU would be “a rather unremarkable international organization” without the Franco-German alliance; however, with Paris and Berlin tightly aligned, the EU becomes “a system of governance in its own right and an international superpower.”\(^{40}\)

Regarding EU policymaking and decision-making, Webber posits that in the realm of CAP legislation, one of three conditions applies generally:

[I]f they [France and Germany] supported a given project, it was approved; if they opposed it, it failed; if and as long as they were divided, the decision-making process was deadlocked.\(^{41}\)

For the most part, Webber’s thesis holds true. For instance, during the negotiations on the details of the CAP after the Treaty of Rome, Paris and Bonn stood at odds, forcing EEC officials to “stop the clock” in order to meet the deadline of December 31, 1961. Talks rolled over into 1962, resolved only when Charles de Gaulle threatened to stop integration on all other fronts unless the West Germans came to terms with his final compromise. Bonn acceded to de Gaulle’s ultimatum, and the first model of the CAP


\(^{40}\) Peterson and Bomberg (1999). p. 12.

\(^{41}\) Webber (1999). p. 45.
came to fruition. Nowadays, the axis remains quite apparent in the pact between the two capitals to fix CAP expenditure until 2013; attempts to crack this arrangement, mainly by the British, have failed.

In a related vein, national politics in France and Germany have also determined the timing and nature of CAP reforms, according to some sources. In major electoral years, CAP reform proposals have faced uphill battles, rarely overcoming them. In the same stroke, when right-wing parties hold key offices in Paris and Berlin, agricultural reforms become more difficult, as these parties are beholden to support from rural voters, interest groups, and farming lobbies.

3. The “snowball syndrome” of the CAP. The CAP has tended to demonstrate a snowballing effect in regards to the way in which it has developed. In other words, over the years, the CAP has morphed into one of the EU’s most complex and intricate policies, with mechanisms incomprehensible to even the most astute politicians and economists. As a result, reforming the CAP is a daunting task. If too many new measures are introduced at once, it is uncertain which—if any—would have positive or negative effects. Consequently, the CAP is a policy which must be tinkered with delicately in order to gauge the responsiveness of each individual reform accurately and effectively.

The CAP has snowballed in another dimension as well; it has produced, with clockwork consistency, winners and losers. Interestingly, these categorizations do not necessarily divide along lines of agricultural efficiency or even comparative wealth;

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rather, they reflect the products supported and the levels of support. As a result, Italy and Portugal do not gain nearly as much as many assume, despite their relative poverty vis-à-vis the rest of the Community, because Mediterranean products have not had (comparatively) high price supports. The UK and the Netherlands have lost also, notwithstanding their large farms and excellent efficiency. Not surprisingly, these countries frequently form the vanguard of reform, facing off against net gainers like France and Ireland.

<table>
<thead>
<tr>
<th>Table 3: The Winners and Losers of the CAP in the EU-15 (1997)</th>
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<tr>
<td>Share of Financing</td>
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<td>Greece</td>
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<tr>
<td>France</td>
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<td>Spain</td>
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<td>Ireland</td>
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<td>Italy</td>
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<td>Denmark</td>
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<td>Sweden</td>
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<tr>
<td>Belgium</td>
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<tr>
<td>Netherlands</td>
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<td>Germany</td>
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However, one cannot infer that proponents and opponents of reform can so easily be classified according to their status as winners or losers. The most notable exception is Germany, which pays far more into the CAP than it receives in return, yet often resists

44 Sources for Table 3.1: European Union. Commission. “The Effects of a Partial Reimbursement of CAP Direct Aids.” Annex 5. Brussels: EUR-OP, 1998 and own calculations. This table excludes the ten new member states due to the fact that their shares of financing and spending cannot be accurately assessed until they are fully phased into the CAP in 2013. Likewise, the data stems from 1997, before considerations for eastern enlargement began under Agenda 2000. In this way, Table 3.1 portrays the politics of the EU-15 in its purest sense.
reform due to its powerful domestic farming lobby, its special relationship with France, and its longstanding proclivity for high price supports and payments to farmers. In fact, one of the key aspects of German foreign policy is its selfless deference to others’ positions in order to support the Community’s well-being as a whole. Such timidity in foreign policy has led to Berlin’s characterization as an economic giant, but a political mouse. Lastly, it should also be noted that most German farmers cultivate cereals and other grains, precisely the sector which enjoys the highest share of CAP expenditure of all commodities. Surely, this is not mere coincidence.

<table>
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<th>Table 4: Shares of CAP Expenditure by Commodity (1997)</th>
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<tr>
<td>Cereals</td>
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<td>Meat</td>
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<tr>
<td>Other</td>
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<tr>
<td>Milk (and Milk Products)</td>
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<tr>
<td>Oils and Fats</td>
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<tr>
<td>Sugar</td>
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<td>Fruits and Vegetables</td>
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<td>Wine</td>
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<tr>
<td>Tobacco</td>
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</tbody>
</table>

45 In addition to these considerations, it should also be noted that Germans are cognizant of the “original package deal” discussed in Chapter 1, whereby the comparatively efficient producers of German industrial goods balance France’s comparatively efficient agriculturalists. Beyond strict agricultural considerations, it is also important to consider that by cooperating on agricultural issues, the Germans gain leverage in negotiations in other EU policy areas that may be valued more highly by the government.


47 The “shy” nature of German foreign policy is slowly changing for several reasons. First, the horrors and tragedies of Germany’s recent past are gradually receding into the annals of history. Second, the creation of a common foreign and security policy (CFSP) as the second pillar of the EU has pressured Germany to emerge militarily. Lastly, each successive chancellor has become more active in engaging in foreign policy. For example, Angela Merkel particularly exhibited this trait during the first months of her chancellorship—to the great approval of the German public.

Before considering the politics of change, it might be instructive to consider one other inertial facet of the CAP. Despite its declining share of the budget and even the landmark reforms of MacSharry and Fischler, the nominal monetary level of support for European farmers has continued to increase. In fact, MacSharry’s decoupling actually swelled the amount of support given to farmers (although, ultimately, decoupling reduced and regulated the otherwise spiraling increases in price supports). Aside from the political inertia discussed above, the consistently high levels of support can be explained via the “path-dependent” nature of the CAP; that is to say, the outcome of a specific CAP reform partly depends on the history of decisions and negotiations that has preceded it. This is especially true for the policymakers in question, agricultural ministers of the Council and EU Commissioners, who often exhibit an unwillingness to deviate from historic patterns of financing and decision-making. As representatives of their individual states accountable to their voting publics, agricultural ministers particularly subscribe to this type of thinking. After all, reform may result in financial or political losses to domestic governments, not to mention material losses to rural communities.

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49 Ackrill (2000). p. 188.
Chapter 4: The Politics of Change

Notwithstanding the CAP’s inertia, the last two decades have indeed seen major structural changes to the problematic policy. As is often the nature of policymaking analysis, no single factor can be isolated as the sole justification for these changes. This is even more true for the controversial, politically sensitive CAP. In broad categories, three endogenous and three exogenous pressures culminated and persisted to initiate the process of serious CAP reform in the mid-1980s. As will be revealed in the next chapter, exogenous pressures instigate reform, while endogenous pressures enable and facilitate reform.

Endogenous Pressures

1. The eroding power of the Council of Ministers. Before 1982, national agricultural ministers took decisions in the Council by unanimous consent, thereby making a tedious procedure for any proposal deemed too far-reaching. Irreconcilable dissent—which was plentiful, considering the sensitive nature of the CAP—often threatened to bring agendas to a crawl. However, the introduction of qualified majority voting (QMV) in certain CAP decisions in 1982 forced previously unyielding ministers to make concessions, lest they lose their sway entirely. In successive treaties, from the Single European Act to Nice, QMV extended its reach in the CAP, and today it comprises over 80% of agricultural decision-making.
At the same time, the European Commission—long a leading supporter of CAP reform—has found itself emboldened, better able to shape policy and influence the Council. Decision-making models have found that, with the Council bound by QMV, the Commission could more effectively initiate agricultural legislation, with larger packages having better prospects for passage.\textsuperscript{50} Moreover, the Directorate-General for Agriculture (DG VI) gradually assumed the responsibility for the daily management of specific commodity markets. Though its autonomy in this field is somewhat limited by the Council’s power to rescind decisions, the DG VI formed 20 committees for this purpose and is now the second-largest service of the Commission. In sum, the Commission has become an ascendant force in agricultural policy-making, wholly at the Council’s expense.

Though the European Parliament currently has a miniscule influence in agricultural policy, Dr. Michael Shackleton, former head of the European Parliament’s conciliation committee, predicts that a further devolution of power is on the horizon. He notes that the stalled EU Constitution would have granted the Parliament the power of co-decision vis-à-vis agricultural policy, including the ability to propose amendments or veto laws. Although the constitution’s future is indefinite, the current Austrian presidency, under the leadership of Chancellor Wolfgang Schüssel, appears committed and eager to revive the document. Thus, agricultural ministers, protective of the CAP’s status quo and

their states’ agricultural industries, may be subjected to additional limitations in the near future.

2. The decreasing influence of French and supranational farm lobbies. Until former EU Commissioner Ray MacSharry first outlined his reform proposals in 1992, farm lobbies at all levels of government stood more or less strictly united against any CAP reform. Moreover, both national and supranational lobbies held extreme amounts of influence in policy-making, disproportionate to the size of the agricultural community. Such is the price of rural electoral support for candidates seeking political office, particularly for the rightist parties in Europe.

But when MacSharry revealed his plan of direct income payments, aimed at ending the inequity within the agricultural industry, internal rivalries and tensions developed among farm lobbies. For instance, the supranational Comité des Organisations Professionnelles Agricoles (COPA) struggled to find a common position due to its diverse membership—the first step toward the end of its privileged relationship with the DG VI. In fact, by the time the Uruguay Round had ended, Guy Legras, former director-general of agriculture, commented that the whole history of the round could be written without mentioning COPA “without any problem.”

In terms of influencing the member states, COPA, however, has typically taken a backseat to national farm lobbies, with French and German groups playing the most important roles in policymaking. On the national level in France, Fédération National des

Syndicats d’Exploitations Agricoles (FNSEA) has long dominated the political landscape, commanding much influence within the ruling rightist party Union pour un Mouvement Populaire (UMP). Recently, that power has eroded due to the rise of dissension within the once united rural community. As the CAP’s modernization programs took root in France, farm restructuring in France accelerated rapidly. Since the 1970s, a clear delineation in the French agricultural community has emerged, with mid-sized farms disappearing and either consolidating into larger entities or reducing in size. As such, FNSEA no longer holds an absolute monopoly on either the rural community’s interests or its voice—or its power. Some small farmers have abandoned FNSEA for other lobbies like Confédération Paysanne, indicated by the group’s growing share of seats in France’s Chambres d’Agriculture. However, such fracturing has damaged lobbying efforts in Paris as consensus on issues becomes more difficult to find.53

When MacSharry introduced his set of reforms, some smaller French lobby groups backed him, noting that his plan of direct income support could correct the immense subsidization skew toward large, agro-business conglomerates. Meanwhile, infighting plagued the FNSEA, as its commodity subdivisions fractured due to the varied reductions in price support.54 In effect, the once impenetrable French corporatist model splintered. The FNSEA found itself unable to unite or organize its diverse membership as

effectively as in the past. All the while, the French people—increasingly urbanized—grew less sympathetic to the concerns of the farming community.

In Germany, a similar scenario of lobby fracturing unfolded due to an entirely different reason—reunification. Even more than France’s FNSEA, Germany’s Deutsche Bauernverband (DBV) once held a near monopoly over the farming community’s access, communication, and, hence, influence vis-à-vis the state. DBV’s relationship with Bonn ran quite deeply, and the two created policy together through a system of consultation and mutual agreement. However, after reunification, tensions over the divergent needs of western and eastern farmers hurt the DBV’s ability to absorb the new eastern Länder into its governing structure as well as to unite and organize its increasingly diverse membership. While the DBV has not weakened to the degree of the FNSEA, it has found itself in conflict with the state, described as “something almost unthinkable until recently” by the University of Amsterdam’s Marjoleine Hennis. As a result, Berlin has diminished the DBV’s access through the government’s official channels. Perhaps one of the best signs of this was the appointment of Renate Künast as German Agricultural Minister—the first ecologist and Green Party member to fill this position. She led the move to change the ministry’s title to list Consumer Protection—perhaps an ominous move for German farm lobbyists. Thus, with the most powerful national and supranational lobbies dethroned, CAP reform could proceed more smoothly and deeply in the years to come.

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55 Hennis (2005). p. 117
3. Policy “spillover” from emerging EU policy areas relevant to CAP. As the drive to union and policy harmonization accelerated in the 1970s and 1980s, Brussels’ growing jurisdiction reached into unexplored policy areas. For instance, in unison with the “green” movement, environmental concerns came to the forefront of Europeans’ worries. The EU, responsive to its citizenry, produced Article 174 of the Treaty on European Union, requiring that “environmental protection requirements must be integrated into the definition and implementation of other Community policies.” As a result, the inclusion of various environmental measures expedited the need for a reanalysis of the CAP. The synthesis of these two policy fields forced the Council to face new questions—of sustainability and rural improvement, certainly, but also of ending land degradation and, consequently, overproduction. Deemphasizing price supports and decoupling production from subsidy were logical consequences, then, of the effort to incorporate environmental concerns into CAP. The Fischler reforms also encouraged and reflected the “greening” of Europe via decoupling, especially in the face of the accession of the highly polluted, post-Soviet states of the east.

Exogenous Pressures

4. The revolution and modernization of agriculture spurred by globalization. The agricultural landscape for which the CAP was initially conceived—of small, inefficient, inefficient,

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family-run farms dotting the countryside—bears little resemblance to today’s industry of sprawling agro-conglomerates and multi-national corporations. Mergers and acquisitions have created companies and even farms that no longer simply “do” agriculture, but also perform activities of processing, distribution, sales, and marketing. The availability of capital through international markets and banks has provided an assortment of means to obtain global financing and facilitated the move away from labor-intensive agricultural practices.\textsuperscript{60} In sum, the days of the small farmer are over.

With the global spread of biotechnology greatly improving productivity, businesses have long known that a subsidy system driven by price supports—even for surpluses—handsomely rewards mass production of specialized commodities, even exploitatively so. Consequently, CAP reform became necessary to avoid being fleeced by an industry that had strayed far from the vision of the 1960s. Direct income aids became a reasonable alternative in an effort to aid and protect the small farmer, attempting to return to the CAP’s original purpose by correcting the extreme imbalance whereby 80% of CAP expenditure went to 20% of farmers. Globalization also plays a large role in the development and growing power of international financial institutions and the international political economy, as discussed immediately below.

5. \textit{The tremendous increase in pressure for free trade}. In 1986, the Punta del Este declaration called for the next round of talks on the General Agreement on Tariffs and Trade (GATT, now the World Trade Organization or WTO) to expose highly protected agriculture industries to free trade. In the coming days as the Uruguay Round opened, for

\textsuperscript{60} Hennis (2005). pp. 18-20.
the first time, even domestic agricultural subsidization policies came under intense scrutiny, particularly by the Cairns Group. Advocating the “zero” option whereby all agricultural subsidies would be eliminated in ten years, the United States (US) bore down heavily on the EU. In fact, as years passed and discussions stagnated, Washington delivered an ultimatum in November 1992 to all GATT negotiators—either reach an agreement within one month’s time or face high tariffs on EU food imports, totaling hundreds of millions of dollars. With such an imposing threat in place, the beginning of decoupling became almost a necessity, and it was indeed an integral, groundbreaking part of the agreements struck for both the EU’s internal MacSharry reforms and the GATT’s Blair House Accord. Years later, partly to prepare for the Millennium Round of negotiations and deflect some international pressure, the EU continued the spirit of the MacSharry reforms in the Agenda 2000 reform of the CAP. Even so, lawsuits still continue to be presented before the WTO on products ranging from bananas to beef.

Trade pressure has also increased vis-à-vis the developing world. As EU farmers remain competitive in the global market due to CAP subsidies, producers in the Third World—who may actually be more efficient but not as well subsidized, or simply not subsidized at all—struggle to stay afloat. As a result, the CAP has severely hurt the agricultural sectors of poor states, particularly in Africa.61 This presents a problem for Europeans, whose proximity to the Africa provides a great incentive for promoting stability there. Presented by such grave moral questions, a number of European leaders have pushed for CAP reform in such a framework. Georges Santer, secretary-general of

the foreign ministry of Luxembourg, advocated a correction of the “CAP imbalance” in order to promote fair trade with Africa. Meanwhile, the summer of 2005 witnessed British Prime Minister Tony Blair crisscrossing the globe to push for aid, debt forgiveness, and fair trade for “the forgotten continent.” Unfortunately, the issue is not so simple; cutting guaranteed prices also adversely affects countries in the privileged Africa, Caribbean, Pacific (ACP) group.\(^{62}\) Trade policy, then, is a complex issue, but certainly a significant element of CAP reform.

6. The dramatic ramifications of eastern enlargement.\(^{63}\) In the wake of the Cold War and German reunification, eastern enlargement suddenly became a viable—and arguably inevitable—option for the EU. However, simple demographics reveal the problem eastern enlargement posed for CAP and its method of financing under the EAGGF. Vast arable lands and pastures, untapped potential for productivity, and heavy employment in the agricultural sector (20% of the labor force in the then-candidate countries) all posed issues for the EAGGF and its unwieldy strain on the EU budget. In essence, Central and Eastern European countries (CEECs) were sleeping giants. Poland, Poland, Lapper, Richard. “Caribbean Shocked as EU Plans to End Sugar Regime.” Financial Times (UK) 24 June 2005: 12.

\(^{63}\) Some would argue that eastern enlargement constitutes an endogenous pressure because of the “drive to union” sentiment prevailing in the EU that facilitates future enlargements. In addition, the ten new member states acceded to the union on May 1, 2004, and may be considered an internal force today. However, at the time of reform, the ten members were indeed external to the union and their very inclusion in key EU policies like the CAP was in question. Moreover, the history of the EU extends to the end of World War II, so eastern enlargement is quite a new phenomenon for EU policymakers. In effect, the perception by many in Brussels pre-enlargement was that Eastern Europe still “feels” outside the scope of Europe proper (i.e. Western Europe). After all, the histories of Western and Eastern Europe diverged markedly in the 20th century. Thus, because Eastern Europe is perceived as something foreign to both officials and citizens of the EU-15, I choose to view eastern enlargement as an exogenous pressure. Even today, evidence of this exists in the resistance to the liberalization of the services sector and, more significantly, the fear of the “Polish plumber” which contributed to the EU Constitution’s downfall in France.
the largest among the applicant states, also created the largest challenges. Its agricultural industry, employing over a quarter of the Polish workforce, consisted overwhelmingly of small farms tilling increasingly barren soil, yet parts of the country had extreme potential. Northwestern Poland, for example, possesses features that could lead to it becoming the EU’s cheapest area for milk production—and land prices stand at less than a tenth of those in Germany. More broadly, a 1992 study estimated EAGGF expenditures on the CEECs without CAP reform would cost the EU over €15 billion.\textsuperscript{64}

Because of these challenges inherent in the candidate countries, initially certain member states suggested that CAP payments not be extended to incoming EU members.\textsuperscript{65} Some claimed to have Eastern Europe’s interests in mind, fearing the impact of convergence on consumers as prices reached Western Europe’s high levels. In the end, this position was simply politically impossible as Eastern European countries demanded equal treatment. After all, subsidizing comparatively wealthy Western farmers while denying the same privileges to poorer Eastern ones was unjustifiable in a union that predicated itself upon equal treatment of all members. Consequently, CAP payments to members of the 2004 accession class would be phased in, implemented in full by 2013.

All in all, policymakers in Brussels realized that maintaining a payment system based on production would be untenable for an expanded EU; decoupling, direct income aid, and land-based single payment schemes presented a pragmatic alternative that could uphold the CAP’s spirit of agricultural subsidization without holding the EU’s modest budget hostage.

\textsuperscript{64} Field (2002). pp. 241-259.
\textsuperscript{65} Baimbridge et al. (2004). pp. 160-1.
Chapter 5: Concluding Remarks

In reviewing the six factors, exogenous pressures outweigh endogenous pressures in inciting CAP reform. Globalization’s transformation of the European agricultural sector threatened to make the EAGGF spiral uncontrollably higher under a guaranteed price support regime. Meanwhile, its effect on creating global economic interdependence led to economic pressure from the US and moral pressure from the agriculturally-dependent developing world. It is no coincidence, then, that the Uruguay Round coincided with the MacSharry reforms or the Millennium Round with Agenda 2000.66 As Rieger argues, tying agriculture into GATT negotiations was “a watershed in that a formal link had been made between the protectionist CAP and the much more liberal international trade regime.”67 Thus, GATT bound CAP, reigning in protectionism and ushering in neoliberalism.

Equally as important, however, was the impending accession of the CEECs. With enlargement creeping ever nearer, Brussels simply had to act. The “watershed” of the MacSharry reforms was a starting point—but not enough—just as Agenda 2000 only minimally continued the initial reforms. But with the ten candidate countries on the verge of accession in 2003, the EU grew serious under the guidance of Fischler and his proposed reform package. Thus, although the MacSharry reforms made great strides for direct payments which Agenda 2000 edged forward, eastern enlargement permanently cemented and legitimized the new design of direct income support, decoupling, and a

single payment scheme. The current regime of reforms appears to be operating better than expected, as the EAGGF has stayed in check even with agricultural growth flourishing in Eastern Europe.

Lastly, the on-going pressures of eastern enlargement should not be underestimated. With 75% of the single payment scheme yet to be phased in to Polish farmers, further EAGGF adjustment and price support cuts will be necessary. Furthermore, Romanian accession, scheduled for 2007, will add an agricultural industry that remarkably resembles both the size and character of Poland’s. In sum, the enlargement(s) of the 2000s has changed the rules of the game permanently, so the outcome of the game will gradually follow and adhere to these new rules.

While exogenous pressures act as reform stimuli, endogenous pressures facilitate CAP reform, reducing certain ministers’ tired knee-jerk reactions of defending their oft-criticized policies. Rather, internal pressures serve as steady influences that enable wider restructuring and exploration into other dimensions of agriculture; they open possibilities and promote freer thinking. With the influence of national agricultural ministers and farm lobbies waning and with the added threat of environmental and cohesion policies stealing its jurisdiction, the CAP has been able to move away from its traditional definitions and toward less nationalistic goals. For example, the Czech Republic has allocated CAP funds toward rural beautification and ecotourism in order to maintain the countryside and discourage a rural exodus, according to Petr Zahradník, head of Česká Spořitelna’s EU

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office. By deemphasizing subsidization and introducing popular, greener measures, the CAP becomes more palatable to a generation who cannot envision food shortages. The disease scares (e.g., mad cow, foot and mouth) of the 1990s, which greatly damaged Europeans’ otherwise supportive opinions on the CAP, allowed for policymakers to refocus efforts on food security and quality. This contented consumers who might otherwise see CAP as a vehicle for higher food prices. In essence, the CAP is finding new sources of legitimacy from such endeavors, thereby also justifying its economic aims.

In sum, as exogenous pressures build to crisis flashpoints, endogenous pressures allow for a freer, more honest analysis of CAP. The decoupling of price from subsidy and the implementation of direct income support stem most directly from the pressures of the agricultural revolution, trade round negotiations, and eastern enlargement. Under the surface, the diminishing power of the Council of Agricultural Ministers and farm lobbies permits an easier, deeper, and broader restructuring of agricultural policy. In fact, the redefinition of CAP has emerged as a secondary theme of reform, as it takes on new jurisdictions. In the end, although one lone factor cannot be described as the “golden key” to reform, the relationship of internal and external pressures does clarify CAP policymaking.

Where is CAP reform headed in the future?

With net-payers like Germany seeking to lower their EU contributions despite the high costs of eastward enlargement, budget constraints will only grow more serious for Brussels. Accordingly, Tony Blair made CAP reform the top priority of the British
presidency partly to deflect allegations of hypocrisy on his African aid initiative, according to BBC news analyst Rodney Smith. With Blair posturing himself so strongly on the African question, Smith notes that the prime minister could no longer ignore the issue of CAP reform. The financial perspectives crisis partly derived from this, as Blair could not politically accede to maintaining status quo for the CAP until 2013.

In the summer of 2005, following the French and Dutch rejections of the EU Constitution, the UK and Tony Blair were unequivocally ascendant powers on the European landscape. London had hoped to capitalize on its political momentum at the 2007-13 financial perspectives summit in December 2005 by addressing a policy which it had perennially criticized. During this small window of opportunity, perhaps unseen since the days of Margaret Thatcher, Britain had a chance to craft Europe in its image. Even though many interpret the French as rejecting the Anglo-Saxon economic model, the fact remained that the resurgent “Gauls” had turned Europe away. French President Jacques Chirac’s ineffectual leadership, unpopularity, and lame duck status only amplified the decline of French power. Meanwhile, as German Chancellor Gerhard Schröder’s government collapsed, Germany too found itself on the wane and in a period of transition. Blair even had the EU presidency beginning that July; surely, the stars had aligned for London.

Compared to those heady days of optimism, the following year would create a world of difference would for Blair. By declaring a period of reflection on the EU Constitution, Blair certainly pleased the British electorate and warded off a referendum.

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70 The collapse of Schröder’s government led to his ouster in early elections. Angela Merkel defeated Schröder in November 2005 and assumed the chancellorship, governing by a grand coalition.
doomed to fail, but also missed a chance to lead Europe in a new—nay, in any—
direction. Despite Chirac’s lameness and German Chancellor Angela Merkel’s
inexperience, Blair still struggled to lead the European Council to agree to the 2007-13
EU budget—until the last second. Today, with allegations of political scandal and
Labor’s financial struggles, Blair has most definitely squandered his opportunities to
effect probing policies, domestically or otherwise. Calling for his political death is
perhaps premature, but certainly Blair is quite weaker than he was before assuming the
EU presidency.

During the financial perspectives debate, Blair had offered a simple quid pro quo
to French President Jacques Chirac—a rollback of a portion of the British rebate in
exchange for a probing analysis and reform of the CAP. Despite a career marred by ill-
timed statements and decisions, for once Chirac—a former agricultural minister
himself—correctly assessed the political situation in Europe. London’s position as the
EU’s rotating president immediately weakened its negotiating abilities, as the holder of
the presidency often must seek compromise and sacrifice its stances. Britain found this
exceptionally true, not wanting its presidency to be remembered as one of failure—of
constitutional referenda and budget negotiations alike. Moreover, following enlargement
into the poor east, the British rebate came under particularly heavy fire, given the relative
wealth of the British. Meanwhile in Berlin, only weeks before the summit, Angela
Merkel had been elected chancellor of Germany. Thrust into high politics in such a way,
and supported by a most tenuous grand coalition government, Merkel’s newness rendered
her unable to make any substantial changes to former Chancellor Gerhard Schröder’s
policy—particularly his pact with Chirac to keep the CAP untouched until 2013. Thus, the Franco-German axis remained unbroken. In the end, Chirac’s intransigence triumphed given Blair’s weakness, with London agreeing to forfeit one fifth of the rebate in exchange for a review of the entire budget in 2008.

However, some still believe French superiority on CAP issues may be ending. Though the Franco-German alliance is still quite determinant in agricultural policymaking, Lord Richard of the British House of Lords envisions quite a different scenario unfolding. Richard expects Angela Merkel and the Christian Democratic Union (CDU) to move closer to Blair’s Labour government and, consequently, the issue of CAP reform. Despite his leftist leanings, Blair tends to work well with right-wing governments. At the same time, Merkel’s election and Chirac’s departure will eventually render the Chirac-Schröder “CAP freeze” pact irrelevant. All the while, Germany’s “unprecedented protests” regarding its budgetary net-payer status may pose “the greatest threat to the EU in its 40 years’ existence,” according to one observer.\footnote{Dick Leonard of the Financial Times qtd. in Peterson and Bomberg (1999). p. 12.} Splitting the Paris-Berlin axis in the EU would have far-reaching effects for the CAP. Academics, such as Humboldt University’s Martin Nagelschmidt, have long seen a special relationship forming between Berlin and London should the Franco-German alliance weaken. As external and internal pressures heighten endlessly, the correct combination of bold, visionary political leaders in Europe could lead to the most dramatic CAP reform in EU history. In any case, the EU will most certainly require it given eastern enlargement and renewed budgetary concerns.
Despite reasons for optimism, CAP reform currently faces long odds. At the time of writing, the greatest chance for further reform evinces itself in the Doha Round. During the Uruguay Round, Agricultural Commissioner Ray MacSharry used the GATT as a way to pressure—and even circumvent—the EU’s Council of Agricultural Ministers. MacSharry’s wide negotiating mandate, granted to him by reform-minded Jacques Delors, forced the Council into taking action, albeit begrudgingly. What resulted was the most probing set of CAP reforms ever undertaken by the EU.

Today, one would imagine that conditions are again ripe for CAP reform. The EU faces a number of exogenous pressures—particularly from the aforementioned Doha Round as well as eastern enlargement—that should provoke a restructuring of the CAP under normal circumstances. Yet, the EU has managed to avoid reform for the most part. How can this be the case?

Perhaps at the heart of the answer is the fact that the Doha Round has emphasized slashing tariffs on agriculture rather than lowering levels of domestic subsidization. No previous CAP reform—including those of MacSharry and his later successor Franz Fischler—has seriously addressed cutting common external tariffs on agriculture. Rather, CAP reforms have focused on internal changes designed to liberate the EU budget, adjust subsidization, and promote rural development initiatives, for example. Given agricultural ministers’ “path-dependent” view of agricultural policy, any effort to reform a new area of CAP will initially meet much resistance, notwithstanding endogenous and exogenous pressures.
Moreover, developments over the past year at the national level have not been favorable to reform. As discussed, Blair squandered Britain’s ascendancy to power last July. As a result, Blair rendered himself unable to lead the EU on a range of issues, from the financial perspectives debate to CAP reform. At the same time, Merkel has withheld spending her political capital on this issue for several reasons. First, she undoubtedly needs an enormous amount of political capital to push through the package of labor market reforms expected to be unveiled. Second, she may not wish to upset the electorate—especially the CDU’s strong rural voting base in Bavaria and other Länder—if she intends to call early elections and form a majority government. Peter Mandelson, the EU’s trade commissioner, notes that “Germany occupies the centre of gravity on these issues within the European Council.”\textsuperscript{72} Without German support for reform, the Doha round faces an uphill battle indeed. Even Mandelson has observed that he may not be able “to carry Germany for as ambitious an outcome in agriculture as I would like.”\textsuperscript{73} Lastly, Jacques Chirac has only grown more rigid and nationalistic toward agriculture over the past year in an effort to rally his rural base and soften his overall unpopularity. Consequently, the Franco-German power alliance—and Chirac-Schröder pact—have remained both intact and intractable for the time-being.

\textsuperscript{73} Ibid. p. 2.
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APPENDICES

Appendix A: CAP in The Treaty of Rome (original, unamended text)

TITLE II

AGRICULTURE

Article 32

1. The common market shall extend to agriculture and trade in agricultural products.
"Agricultural products" means the products of the soil, of livestock and of fisheries
and products of first-stage processing directly related to these products.

2. Save as otherwise provided in Articles 33 to 38, the rules laid down for the
establishment of the common market shall apply to agricultural products.

3. The products subject to the provisions of Articles 33 to 38 are listed in Annex I to this
Treaty.

4. The operation and development of the common market for agricultural products must
be accompanied by the establishment of a common agricultural policy.

Article 33

1. The objectives of the common agricultural policy shall be:

(a) to increase agricultural productivity by promoting technical progress and by ensuring
the rational development of agricultural production and the optimum utilisation of the
factors of production, in particular labour;

(b) thus to ensure a fair standard of living for the agricultural community, in particular by
increasing the individual earnings of persons engaged in agriculture;

(c) to stabilise markets;

(d) to assure the availability of supplies;

(e) to ensure that supplies reach consumers at reasonable prices.

2. In working out the common agricultural policy and the special methods for its application, account shall be
taken of:
(a) the particular nature of agricultural activity, which results from the social structure of agriculture and from structural and natural disparities between the various agricultural regions;

(b) the need to effect the appropriate adjustments by degrees;

(c) the fact that in the Member States agriculture constitutes a sector closely linked with the economy as a whole.

**Article 34**

1. In order to attain the objectives set out in Article 33, a common organisation of agricultural markets shall be established.

This organisation shall take one of the following forms, depending on the product concerned:

(a) common rules on competition;

(b) compulsory coordination of the various national market organisations;

(c) a European market organisation.

2. The common organisation established in accordance with paragraph 1 may include all measures required to attain the objectives set out in Article 33, in particular regulation of prices, aids for the production and marketing of the various products, storage and carryover arrangements and common machinery for stabilising imports or exports.

The common organisation shall be limited to pursuit of the objectives set out in Article 33 and shall exclude any discrimination between producers or consumers within the Community.

Any common price policy shall be based on common criteria and uniform methods of calculation.

3. In order to enable the common organisation referred to in paragraph 1 to attain its objectives, one or more agricultural guidance and guarantee funds may be set up.

**Article 35**

To enable the objectives set out in Article 33 to be attained, provision may be made within the framework of the common agricultural policy for measures such as:
(a) an effective coordination of efforts in the spheres of vocational training, of research and of the dissemination of agricultural knowledge; this may include joint financing of projects or institutions;

(b) joint measures to promote consumption of certain products.

Article 36

The provisions of the chapter relating to rules on competition shall apply to production of and trade in agricultural products only to the extent determined by the Council within the framework of Article 37(2) and (3) and in accordance with the procedure laid down therein, account being taken of the objectives set out in Article 33.

The Council may, in particular, authorise the granting of aid:

(a) for the protection of enterprises handicapped by structural or natural conditions;

(b) within the framework of economic development programmes.

Article 37

1. In order to evolve the broad lines of a common agricultural policy, the Commission shall, immediately this Treaty enters into force, convene a conference of the Member States with a view to making a comparison of their agricultural policies, in particular by producing a statement of their resources and needs.

2. Having taken into account the work of the Conference provided for in paragraph 1, after consulting the Economic and Social Committee and within two years of the entry into force of this Treaty, the Commission shall submit proposals for working out and implementing the common agricultural policy, including the replacement of the national organisations by one of the forms of common organisation provided for in Article 34(1), and for implementing the measures specified in this title.

These proposals shall take account of the interdependence of the agricultural matters mentioned in this title.

The Council shall, on a proposal from the Commission and after consulting the European Parliament, acting by a qualified majority, make regulations, issue directives, or take decisions, without prejudice to any recommendations it may also make.

3. The Council may, acting by a qualified majority and in accordance with paragraph 2, replace the national market organisations by the common organisation provided for in Article 34(1) if:
(a) the common organisation offers Member States which are opposed to this measure and which have an organisation of their own for the production in question equivalent safeguards for the employment and standard of living of the producers concerned, account being taken of the adjustments that will be possible and the specialisation that will be needed with the passage of time;

(b) such an organisation ensures conditions for trade within the Community similar to those existing in a national market.

4. If a common organisation for certain raw materials is established before a common organisation exists for the corresponding processed products, such raw materials as are used for processed products intended for export to third countries may be imported from outside the Community.

Article 38

Where in a Member State a product is subject to a national market organisation or to internal rules having equivalent effect which affect the competitive position of similar production in another Member State, a countervailing charge shall be applied by Member States to imports of this product coming from the Member State where such organisation or rules exist, unless that State applies a countervailing charge on export.

The Commission shall fix the amount of these charges at the level required to redress the balance; it may also authorise other measures, the conditions and details of which it shall determine.
Appendix B: Selected Eurobarometer Poll Results

In your opinion, which of the following should be the 3 main priorities of the European Union in terms of agricultural policy?

- Ensure stable and adequate incomes for farmers: 36%
- Ensure that agricultural products are healthy and safe: 30%
- Promote the respect of environment: 29%
- Favor and improve life in the countryside: 25%
- Make European agriculture more competitive on world markets: 23%
- Protect small or medium sized farms: 22%
- Help farmers to adapt their production to consumer's expectations: 20%
- Favor methods of organic production: 16%
- Protect the welfare of farm animals: 16%
- Reduce development gaps between regions: 11%
- Encourage the diversification of agricultural products and activities: 7%
- Protect the specificity and taste of European agricultural products: 5%
- Help farmers to adapt their production to consumer's expectations: 2%
- Don't know: 0%

European Union agricultural policy aims to benefit consumers as well as farmers. With which of the following statements do you agree?

- It favors farmers rather than consumers: 12%
- It favors consumers rather than farmers: 20%
- It favors equally farmers and consumers: 18%
