

An analysis of the obstacles and difficulties in the introduction of the EU Common Agricultural Policy reform

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Abstract

The Common Agricultural Policy (CAP) is the first Common Policy of the European Union (EU). It was established in the late 1950's, but came into force in 1962. Its primary aim was to overcome food shortage problems after the Second World War. Therefore, the CAP introduced price support measures, eventually resulting in surplus production. This meant a financial burden for the EU budget as the reduction of surplus required export subsidies, which distorted international agricultural trade. In many reform efforts, the main idea was to reduce surplus of production, to replace price support with direct payments and to prepare the EU agricultural trade negotiations led by the World Trade Organisation (WTO). But making fundamental change in the CAP has not been straightforward. This study identifies three main reasons why the realization of the CAP reform has been elusive and taken such a long time: conflict of national interests, farm lobbying and the structure of the EU-policy making. Net contributing countries such as Germany and the UK opposed to subsidise the agricultural sectors of net recipient countries such as France. As European farmers were heavily reliant on subsidies, farm lobbyists opposed even the smallest reform to the CAP. Since one institution has not been given total power to play a decisive role in the decision making process, making fundamental change in the CAP has not been trivial so far, nor can it be easy in the near future.

Key words: The Common Agricultural Policy (CAP) Reform, European Union, subsidies, price support, surplus of production, farm lobbying.

JEL classification: Q18, O13, F51, F55.

1. Introduction

As the first common policy of the EU, the CAP can be considered as a testing field for the common market project. It used to account for 70% of the EU budget in the 1980s. But this percentage has dropped recently to 46% of the budget (europa.eu). However, the CAP is still an important element of the Union's budget and decision making activity and its

contribution to the EU's prosperity is still considerable. For instance, the agri-food sector accounts for 14.2% of total EU manufacturing output (Europa.ec). Furthermore, The EU is the world's largest agricultural importer and the world's second largest exporter. European farmers maintain 44% of European land that is utilized for agricultural production (Nilsson 2000: 8). There is no doubt that the CAP has been the first common policy of the EU and occupied lion's share in the EU budget. But these attributes of the CAP have not been able to guarantee that it would not encounter any agricultural problems in the future. As circumstances changed, the CAP had to face various problems.

The main objective of the CAP originally was to struggle with the food shortages emerged after the Second World War and to ensure self-sufficiency. To achieve that, price support measures were used, encouraging overproduction over time, hence leading to excess supply problem. After the 1980s, CAP targeted the elimination of excess supply, which had negative internal and external repercussions. Cost of storage and exporting surpluses added new burden to the EU budget: more money had to be spent on subsidized foods to dump them into world markets. On top of that, there had been a dispute between the US and the EU over agricultural trade as export subsidies had trade distorting impact on world agricultural markets. Global agricultural economy requires agricultural subsidies and domestic support to be abolished in order to facilitate greater market access and export competition and make the EU agricultural markets competitive. These were the main external pressures for the CAP reform.

There was also internal pressure for the CAP reform such as budget costs, and EU enlargement. Despite those pressures, it has not been easy to put the CAP reform in practice. We have been discussing the CAP reform since the 1980s. The crucial question here is why the realization of the CAP reform has been difficult and why it took such a long time to come. The aim of the CAP reform in 1992 was to reduce domestic support and export subsidies, and to introduce direct payments. The same objective was still in effect in 2003 CAP reform efforts. What were the factors that prevented the CAP reform being realized in the first attempt? This is the main question that this study deals with.

2. The reasons why the CAP reform has been elusive

2.1. Conflict of national interests

One of the most serious impediments to the CAP reform is obviously the conflict of national interests, and this section looks into how opposing national interests constitute a big problem by looking at some concrete examples. In relation to the CAP, there has always been a sensitive balance between the interests of net contributor and net recipient countries. The net contributors have a vested interest in limiting EC agricultural support,

whereas the net recipients have an interest in maintaining high support levels. As opposed to recipient country France, the United Kingdom as a net contributor country has always been in favor of agricultural support being restrained (BAE 1985: 14).

Considering the difficulties of reconciling various national interests in establishing common agricultural policy, it may be concluded that the "original sins" of the CAP still affect the present debate on CAP reform (Fearne, 1997). The main motivations behind the economic union in the agricultural sector were predominantly political. The common market for steel and coal was seen by France as beneficial to the powerful German industry. A common agricultural policy was seen as compensation to France as agricultural subsidies would mostly benefit the large French agricultural sector. This explains why it has been so difficult to implement significant reforms because of the vested interests in this particular sector. France is still opposed to significant reforms of a policy that was implemented in 1960. Moreover, France, 40 years later, seeks in any reform some financial "compensations," original sin of using a sectoral policy as a way to solve a political game (Bureau 2002: 11). In this political game, France, as its agricultural interest is competing, has been in conflict with the UK and Germany.

In comparison to EU-15 countries, France, as can be seen in Table-1 below, is a major net beneficiary country of the CAP. The same applies to Poland in comparison to EU-10 countries. As a result, France has traditionally been a staunch defender of its benefits and the leader of the protectionist wing; whereas the UK, as a net contributor, has traditionally been the leader of the liberalizing wing (Lowe, Buller and Ward 2002: 6). The reason for France supporting the status quo is that France, which has a relatively large farm sector, gets more net benefits from the CAP than the Germany and the UK, which have a relatively small farm sector. Various approaches of different countries towards the CAP reform arise from difference in their farm structures and diverse social and political attitudes to farming and the countryside. Accordingly, the UK, Sweden, Denmark and the Netherlands have been the most pro-reform countries, while France, Spain, Ireland, Greece and Portugal have been the opponent countries to reform (Thurston 2002: 1, 33).

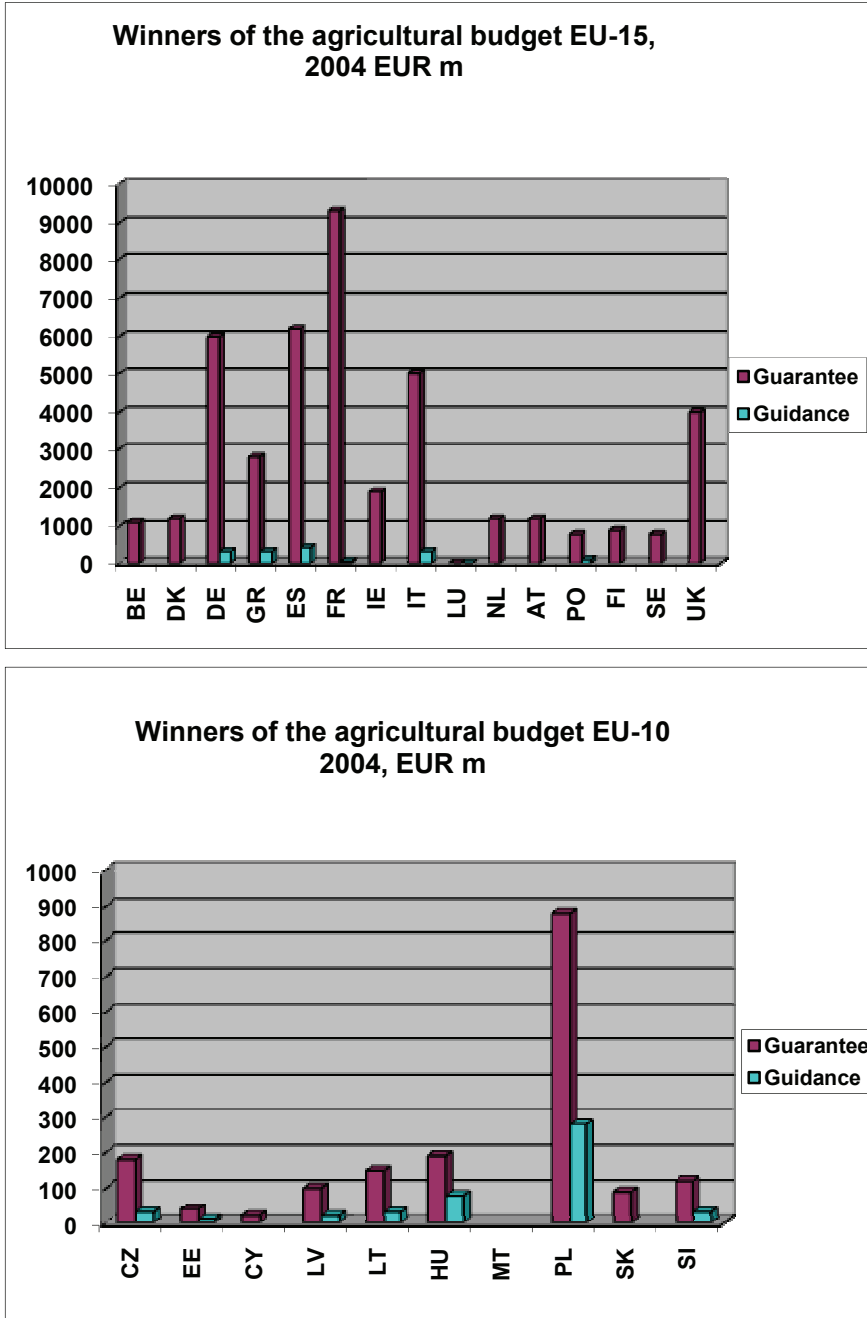
As mentioned earlier, if the agricultural reform was to be carried out, some countries benefiting from the existing CAP would be losers. That is why these countries are against the reform in the CAP. In order to reduce their resistance to the reform, it is important to increase political viability by implementing reform gradually; minimizing redistribution between countries and ensuring that farm support payments underpin farm incomes rather than land values (Thurston 2002: 3). It can be concluded that if the gap between the losers and winners of the CAP reform widens and the reform is not incremental, the chance of reform being realized might be jeopardized because of the serious and strong resistance of the losers. The

whole issue is to ensure political viability of the reform, which is one of the reasons why the CAP reform has been difficult. It is not easy to strike the right balance between loser and winners of the reform. What has been done throughout the agricultural reform process is to water down the original proposal of the reform to compensate the loss of the losers. That is why reform was not able to reach its target in a short term and took a long time in every attempt. This is one of the reasons why the CAP reform has been elusive. Not surprisingly, there were other difficulties that contributed to the elusive character of the CAP reform.

In relation to conflicting national interests, another difficulty arises from the fact that the CAP has tried to achieve various objectives such as self-sufficiency and increasing farm income level with one single instrument, although the Community members have had large differences in their farm population as well as in their net trade position. As a consequence, the attitude of EU members has been determined by the distribution of costs and benefits of the CAP. Today, the CAP and its high support prices are causing the largest welfare losses to the net food importing countries. Consequently, these countries push for reforms. Net beneficiary countries from the CAP such as France push for policies that bring back some, or more, of their contribution to the common budget. Net contributing countries such as Germany or the UK are keen on limiting the CAP related expenses (Bureau 2002: 11).

The relative specialization of each country exacerbates the national interest problem. For instance, Italy could draw the most subsidies in some sectors such as olive oil and tomatoes and it has supported interventionist policies in those sectors. However, it has supported the idea of low intervention prices in other sectors. The Netherlands has, on the one hand, supported interventionist policies in the animal husbandry sector. On the other hand, it has favored freer trade with third countries in the grain and oilseed sector as they were an input for their animal products (Bureau 2002: 11). Spain's accession had to experience the ongoing fight inside the EC, between those who want to "budgetary discipline" (Germany and Britain) and those who resist it and demand compensation for Mediterranean farmers who (France and Italy) would lose out from increased Spanish competition (Ruano 2003: 3).

Figure 1
Beneficiaries of the Agricultural Budget, EU-15 and EU-10



Source: Deutsche Bank Research 2006: 10.

2.2. Farm lobbying

Not only do net beneficiary countries benefit from the CAP but there are also some farmers that gain from the CAP by maintaining subsidies. As they get benefit from farming, they invested machinery and human capital heavily in this sector. For the sake of reform, it has been extremely difficult to take these investments out of farming. As a result, this posed an enormous obstacle to the CAP reform. The main reason for this obstacle becoming formidable is “over-representation” of farmers with respect to their actual weight in the population (Bureau 2002: 3). The inevitable corollary of this, farmers were able to affect decisions to reform the CAP. Farmer lobbyists heavily influence the decisions at both member states and the Commission level. The national level refers to the lobbying of member states’ vote in the CoAM. The second refers to lobbying the Commission directly through membership of umbrella organizations (Kay 2000: 5).

Farm Lobbyists are considered as an interest group and interest groups exercise the political power either to influence decisions, or to force decisions to be made or not made (Grant 1993: 44). The important question here is what makes these lobbyists so passionate in defending *status quo*. In other words, what was the motivation behind their resistance to the CAP reform?

The major reason for the Lobbyists becoming anti-reform was agricultural subsidies. Increasing subsidies only made it crucial for the farming community to invest in lobbying in order to ensure that long-term subsidization was maintained. Ultimately, the agricultural lobbying organizations became the EC’s most powerful lobbyists in the 1970s and 1980s. Budgetary support for agriculture increased from 2 billion Euros in 1970 to 31.6 billion Euros in 1990. This lobby succeeded in opposing even the smallest reforms to the CAP. But, there were some groups who supported the reform. These groups were consumer and environmental groups, and several Member State governments (Kryn 2003: 3).

As mentioned earlier, farmers have constantly and effectively resisted reforms to the CAP, although changing circumstances have put pressure in favor of the reform in the CAP. This was the case even though EU agricultural population has declined. Nevertheless, farmers still constituted a critical “agricultural” vote in many EU countries and the large benefits that they received have made them active political partisans in most EU countries. But a small number of them were getting agricultural benefits and were relatively wealthy. The irony is that, this situation has been sustainable thanks to the consumers and tax payers who have paid to maintain the CAP, which farmers have benefited from. Eventually, this situation has reduced public support for the CAP as a source of assistance to needy farmers (Economic Research Service/USDA 1999: 9). The main difference between the farm lobbyists and the consumer groups is that the agricultural lobby at

both the national and EU level is well organized. In comparison, consumer groups are typically less well organized (Kryn 2003: 3-4).

It is important to look at the number of farmers in comparison to the population of the EU to see how well-organized and effective they are. Although the costs of the CAP are distributed among EU citizens, the benefits of the CAP are concentrated among the farmers. This shows how they, in comparison to the rest of the society, are successful in lobbying the governments to preserve the CAP as is and prevent any radical change thereof. Therefore, it has been inevitable to listen to the potential losers and to incorporate them into reform proposals since they dominate the politics of CAP reform (Thurston 2002: 13, 19). As far as the effectiveness of the farm organizations in the politics of the CAP is concerned, Hill argues that these organizations represent the large numbers of voters and, more strikingly, an undue proportion of politicians are themselves farmers or landowners (Hill 1984: 13). As farmers have had a strong influence in the politics of the CAP, it has not been possible to realize the CAP reform at the expense of the farmers' benefit. Given the fact that there has been conflict between the benefits of the farmers and the requirements of undistorted international trade, it has been difficult to reconcile these two. Considering the whole reform process, it is important to recognize the influential opposition of farm lobbyist to agricultural reforms.

As a consequence of effective opposition of farm lobbyists to the reform, the CAP has been modified occasionally at the expense of consumers' interests. For instance, milk quotas were introduced in 1984 by the Community's agricultural ministers in order to keep milk prices high. But this policy cost consumers too much as the real prices of milk have remained at much higher levels than they could be otherwise.

Small farmers sold or leased their quotas to larger farms and left the industry in greater numbers than before. Consequently, sector's ability to compete with other dairy industries became weak and this resulted in a widening income gap between farming and other sectors of the economy. This outcome is used as a justification by farm lobbies to have higher levels of support (Rickard and Chambers 2000).

There are several reasons for being optimistic about the decline in resistance by the farm lobbyists. First, the farm lobbyists are gradually losing their political support. The farm population has diminished since the Uruguay Round, and so has the political influence of farmers. Second, developing countries and the *Cairns Group* will demand stricter rules for supporting agriculture, which will put pressure for shifting support away from production incentives. Third, a large share of the industry (services, utilities companies) has conflicting interests with agricultural producers and this would offset the influence of some farm lobbies (Bureau 2002: 67).

It might be questioned that although farm lobbyists have been losing their power in agricultural reform since the Uruguay Round, why has the

CAP reform still been difficult? We argue that farm lobbyists have lost their power relatively but they have still been influential in shaping the reform. Furthermore, Farm Lobbyists are not the only obstacle to the CAP reform. There have been other hindrances such as conflicting interests of the member states—discussed earlier, and EU-policy making structure, which we will now look into, that have made the agricultural reform process challenging.

2.3. EU policy-making structure

This section examines how the role of the EU institutions in the decision making process affects the CAP reform, and also how countries political weight in this process affects the end result of the reform.

In looking at the role of the EU institutions in the CAP reform process, EU Council of Ministers, the Commission and the Parliament need attention. The Council of Ministers has the main responsibility for making a decision about the CAP, but the Commission also plays a significant role by preparing proposals and ensuring the application of the Council's decisions. Although the European Parliament has an increasing role in policy making since the Maastricht Treaty, its power is limited to the area of the CAP. The Council of Ministers is a powerful institution and only needs to consult the Parliament and can proceed without the approval of the Parliament (Bureau 2002: 10).

The European Commission's role in the decision making system puts it in a position of controlling the agenda of the CoAM. Making proposals to the Council of Ministers is its right and obligation. If the Council wants to amend the Commission's proposal these changes must be accepted by the Commission. At this point, the Commission has some room for maneuver. The duty of making proposal gives the Commission the ability to shape the CAP reforms (Kay 2000: 7).

The European Parliament plays a rather modest role since it is only consulted on CAP issues. It only provides political support to the CAP reform proposals. The Council of Ministers play a crucial role in the CAP reform process, because it is the ministers of agriculture in the Council of Ministers that make the decisions concerning the CAP. According to the Treaty, Council of Ministers is able to take a decision about the CAP with a qualified majority (Nedergaard, 2006: 209-10).

In 1984 and 1988 reforms, The European Council played an important role in forcing a CAP reform agenda on the CoAM. As public policies have become increasingly complex, they have stretched across the functional divisions of the Councils. In other words, the agricultural policy issues have extended into trade, foreign affairs and budget areas. The European Council does not allocate responsibilities among the various Councils and this situation creates difficulty in the development of a coherent CAP reform. As the CAP reform process takes a long time, decisions are made by different

institutions at different times. For instance, DG II (Economics) and DG XIX (Budget) have wrestled, unsuccessfully, with DG VI for control of the CAP agenda. Therefore, the horizontal separation of DG VI by commodity division creates an obstacle to the internal construction of reform proposals (Kay 2000: 8).

The political weight of the countries has a decisive role in reaching the common outcome. For example, there has been an influential Franco-German axis in CAP decision-making process. When France and Germany opposed one another, the decision making process ended in a stalemate. But when they agree, other member states tend to accept these two countries' position. While southern countries looked to France, many northern countries have looked to Germany (Thurston 2002: 15). In order to avoid deadlock in decision making process, it is necessary to decline the power of the monopoly, to reduce the number of veto points and to increase transparency and accountability. Transparency and accountability of CAP decision-making requires the meetings of Agriculture Council meetings being held in public (Thurston 2002: 61).

When unanimity is necessary in decision making, it has been very difficult to reach a compromise since every country has pursued its own national interests. For example, while in international trade negotiations, the US gave the EU two options; either reduce subsidies to the agricultural sector or face stifling the US countervailing duties. As a result, both the US and the EU negotiators held their own trump cards. Both sides were trying to get the most from an eventual agreement without making too many concessions. A shift from a strong unanimity decision rule to an informal consensus rule in the EU helped untie the Gordian knot of failed negotiations (Clark, Duchesne and Meunier 2000: 88).

As a result of the requirement of unanimity in decision-making, the reform process tends to progress at a slow pace. Reform proposals are outlined by the Commission, which give a great importance to accommodate the needs of each member state. The Commission and the Agriculture Council try to achieve consensus but many veto points in the EU-decision-making process provide opponents with opportunities to hinder the reform (Thurston 2002: 13).

Therefore, CAP related decisions are now taken by a qualified majority vote. However, sometimes a large country buys out a small country in return for supporting a proposal in its national interest on another issue (Bureau 2002: 11). But this kind of coalition may be removed by the EU enlargement by diverting the EU money to other beneficiaries (e.g., Poland, Romania).

One can see that the institutional political counterweights relative to agricultural interests are not strong enough to play a decisive role in the pressure for a fundamental regime change in the CAP. The problem with the fundamental change in the CAP is that reforms have been rare, came late,

and often profoundly diluted. One of the reasons is that the political institutions are not strong enough to initiate reforms at the European level. For instance, as far as the CAP is concerned, the Commission has certain power to use it for the benefit of the EU as a whole but that power is often undermined by the European Council. Furthermore, the capacity of the European Council to make decisions on CAP reform has often been damaged by the Franco–German axis given the fact that Germany capitulated to French demands for many years. In addition, the European Parliament has limited influence on the CAP. In brief, due to the fact that the EU is a ‘super asymmetrical political system,’ external pressure of some kind is expected to be a precondition for CAP reform (Nedergaard 2006: 211).

We investigate some key factors which have contributed to the difficult conception of the CAP reform. There are criticisms about the consequences of the CAP reforms that explain further what kind of problems contributed to the difficulty of the CAP reform.

2.4. The weaknesses of the CAP reforms

In order to discover the weaknesses of the CAP reforms, we analyze a number of key aspects; market management systems, international trade systems, and social and environmental effects of the CAP.

Being the first common policy of the EU, the CAP has been an experimental field for the political and economic union. From 1962 to 1992, the CAP relied on a managed market system to ensure that internal market prices were above a pre-determined administrative price and that export subsidies eliminated excess supply that would have caused the internal price to fall below pre-determined price. These mechanisms had two purposes: to make the member states less-dependant on foreign supply, and to stabilize prices. Determining market prices at a high level was a deliberate objective and this encouraged more domestic production, and led to the production of surplus. Accordingly, the main theme of the CAP reform after 1980 was to get rid of the surpluses caused by high price policy. High prices diverted resources into the production of the most supported commodities, which meant overproduction. To eliminate this excess supply has been costly to budget as it required public storage and export subsidies (Bureau 2002: 13-4). What had been a necessary remedy to the food-shortages until 1980’s, now became redundant.

As regards to the impact of the CAP on income distribution, food prices have been substantially higher than in world markets as a result of the protective nature of the CAP. Accordingly, low-income consumers spend a higher proportion of their incomes on food than other consumers, hence being particularly disadvantaged by the CAP. In other words, the CAP led to income transfers from poor consumers to rich farmers, thus benefiting the rich rather than the poor farmers. Regarding income transfers between

countries, major income transfers have become between countries because of common financing and economic effects have been imposed on third countries because of destructive trade wars (Hill 1984: 111, 118).

In addition to budget costs, managed market price systems have had a negative impact on the environment, farmer's income and its distribution among farmers and regions. The CAP has increased its use of chemical inputs and the intensification of agriculture, which is damaging to the environment. Regarding farmer's income, the CAP could not meet its social objective. Mainly the larger producers, who were a small number in the overall farmer population, benefited from price support. Price support increased farmers' assets rather than their income. This increased land prices and created barrier to young farmers. Agricultural support has not been distributed equally between regions and this has resulted in poor countryside management. Whilst there has been a decline in agriculture in some regions, in others there has been a significant increase in intensive farming (Bureau 2002: 14).

After The 1980s the CAP had to place an emphasis on limitation of export subsidies, putting farmers in a difficult position, which gave way the emergence of farm lobbies. Initially, the CAP was founded on the basis of price support. The target was to feed the Community and to make it self-sufficient. This aim was largely achieved by the end of the 1970s. But since the emergence of surplus problems in the early 1980s, the CAP has had no clear strategy and decision makers have become vulnerable to powerful farmers' lobbies.

Notably, it has not been possible to see a comprehensive CAP reform despite many reform attempts. There have been many reform revisions in order to respond to changes in agricultural circumstances since the 1960s. The need for revision stems from the interventionist nature of the CAP, which adjusts agricultural prices according to ever changing circumstances. But the problem here is that strong vested interests continue to limit reforms. Consequently, the CAP reform has been possible when the political costs of not reforming equal or exceed the costs of reform (Economic Research Service/USDA 1999: 5). For well-integrated comprehensive reform proposals, reaching a compromise among vested interests has been a big issue and accordingly these proposals had to be watered down (Moyer and Josling 2002: 219). For instance, the price cuts had to be followed by income compensating measures, which were direct payments to farmers. In a sense, direct payments can be considered as an absorber of the farmer's opposition to the CAP reform. This also explains why the CAP reform had to be incremental.

The question of why the CAP reform has been gradual is worth emphasizing and it can be elaborated by looking at the examples from the history of the CAP. The basic reason was concerned with meeting the targets set out in the international trade agreements and being sufficient to overcome the enlargement problem. Traditionally, EU agricultural policies

adopted protectionist practices, including farm subsidies and import barriers. These practices were mostly trade distorting in effect. In order to overcome this problem, many reform proposals have been put forward but major reform packages in 1984 and 1988 temporarily alleviated but did not eliminate the root cause of the CAP problems. Also, other reform packages have been adopted in 1992 and 1999. Since the previous CAP reforms did not meet the goals described in the Uruguay Round, a further reform package was needed (McGovern and Pace 2004: 3).

Before each EU enlargement has been made, the CAP reform has always been discussed to adjust the EU to new accession countries in monetary terms. Most of the reforms have not been satisfactory in meeting the challenge stemming from the enlargement. As Ruano (2003) points out, accession countries, for example Spain and Poland, perceived the terms of accession in the agricultural sector as “tough,” these terms caused to delay the introduction of the CAP in the new members to pass much of the costs of adaptation of this old policy onto them (Ruano, 2003: 1). For instance, there was an original reform proposal in the Agenda 2000 that area and headage payments would not be benefited by the new member states (CEC, 2002: 5). However, the European Council watered down this proposal and it became clear that further reform would be needed to integrate the CEECs into the CAP (Swinbank and Daugbjerg, 2004: 102).

3. Conclusion

The Common Agricultural Policy is the first common policy of the EU as mentioned in Treaty of Rome in 1957. The objectives of the CAP are explicitly stated in the Treaty: the primary objective of the CAP was to increase production. For this reason, a price support mechanism has been used, and guaranteed prices encouraged over-production. Storing and disposing of surplus through export subsidies cost too much to the EU budget and caused damage to other countries' trade since they drove down the world prices. Consequently, budget costs were not sustainable to a growing number of member states. As is seen, the original objective was a remedy for the problem of lack of agricultural production, but after the 1980s this remedy has been the source of the problem. Therefore, all reform efforts have been targeted at the removal of surplus, and the original objectives of the CAP have had to be adjusted to new circumstances. There have been many agricultural reforms in order to address certain agricultural problems.

The CAP has been the subject of incremental reforms since the mid-1980s; milk quotas in 1984, budget stabilizers in 1988, MacSharry Reform in 1992, Agenda 2000 and 2003 Reform. The aim of the milk quotas was to control the surplus production and budgetary expenditures. As the quota system was not able to meet the objectives, the budget stabilizers were introduced in 1988, whose aim was to keep agricultural expenses within

budgetary limits and to prevent overproduction. In 1992, the MacSharry Reform envisaged cutting in support prices and area based payments to compensate for losses. These were also the aims of Agenda 2000, but price support was still there and the direct payments remained coupled. In the 2003 reform, there was increasing pressure from the WTO negotiations for reform. One persisting problem again was cutting agricultural supports.

The maintenance of a system of free and undistorted competition is one of the basic principles of the EU. Subsidies have potential to distort trade, and WTO agreements require subsidies to respect EU principles in this regard. In other words, the EU agricultural policy is geared towards market-oriented agricultural policy to give competitive farmers “a level playing field” (European Community 2000). As Moyer and Josling point out (2002), there has been a paradigm shift from a state-assistance to a market-liberalism. This can be considered as a pressure for the CAP reform stemming from globalization. In addition to globalization, there have been some internal pressures such as the enlargement issue and the EU budget problem. It is obvious that the CAP reform was necessary to adjust the EU to new enlargement waves and, consequently, to take some financial measures in the CAP budget.

The CAP reform was justified by all pressures and conditions but the CAP reform process faced a resistance from farmers and consequently original reform proposal had to be watered down and further reform desire constantly had to be on the agenda. As to why the CAP reform has not been successful since 1980s, there are many reasons that combine together to create the elusive nature of the CAP reform.

This paper identifies three main reasons why reform has been so challenging and assesses how the conflicting national interest, farm lobbying and the structure of the EU decision making contributes to this challenge. As far as national interest is concerned, there has always been a sensitive balance between the interest of net contributors and net recipients. The net contributors have a vested interest in limiting agricultural support, whereas the net recipients have an interest in maintaining high support levels. The UK is a net contributor and has always been in favor of agricultural reforms. However, France has a large farm sector and gets more benefits from the CAP than Germany and the UK. As a consequence of the reform, some countries benefiting from the CAP, such as France, will be losers. What is important here is to reduce the resistance to the reform, which requires increasing political viability by implementing reform gradually, minimizing redistribution between countries and ensuring that farm support payments underpin farm incomes. Additionally, for the sake of political viability it was necessary to water down the original proposal of the reform to compensate the loss of losers. In the Luxembourg Agreement, the original proposals had to be diluted and consequently member states extended the existing direct support for further two years to 2007 at the latest.

Both the conflicting national interest and the organized farm lobbyist resisted the reform. The main reason for this is that they wanted to maintain agricultural subsidies although the international agricultural trade agreement envisaged reducing these subsidies. Farmers constituted a critical agricultural vote in many EU countries and they influenced the decision at the levels of both member states and the Commission. They were well organized and successful in lobbying the governments to prevent any radical change in the CAP. It was not possible to realize the CAP reform at the expense of the farmer's interest. The aim of keeping farmers income at certain level has been a major priority in reform efforts. In this case, although it was hard to accommodate various factors in the same reform proposal such as international trade agreements, EU competition policy and farmer's interest of subsidy, it was still necessary to integrate farmers into reform proposals for the sake of reform being implemented successfully. Farmers' integration to new process had to be incremental to absorb their resistance to the CAP reform.

In the decision making process, what has made the realization of agricultural reform difficult is twofold: Franco-German axis, and the requirement of the unanimity. When France and Germany opposed one another, decision making process has been deadlocked. What was necessary to overcome this deadlock is to decline the power of monopoly to reduce the number of veto points and ensure agriculture council meetings being held in public. Opponents to reform may easily obstruct the reform with the requirement of unanimity in decision making. Agricultural reform is still difficult even in a qualified majority vote system. Some large countries buy out a small country in return for supporting a proposal in it national interest on another issue. But this kind of coalition may be removed by the EU enlargement.

In a nutshell, the elusiveness of the CAP reform stems from a combination of many factors mentioned above. What is more difficult is to reconcile those factors with one another. In Doha Round, the EU offered to eliminate export subsidies by 2013. But farmers opposed the elimination of these subsidies. They were against the CAP reform and they succeeded. The EU with 27 member states has 13 million farmers (Trarieux 2007), and they represent a significant agricultural vote, which cannot be ignored by politicians. There is an inherent contradiction between WTO agreements and the EU farmers' subsidy desire. In addition, both protecting the needs of each member state's interest in the CAP reform and veto points in the EU decision making process made the CAP reform even more complicated. International pressures from the US, domestic opposition from the farmers and net contributor countries, and finally institutional inertia all explain why the CAP reform took such a long time.

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Özet

AB ortak tarım politikasında reform yapmanın önündeki engeller ve zorluklar üzerine bir inceleme

Ortak Tarım Politikası (OTP) Avrupa Birliği'nin (AB) ilk ortak politikasıdır. 1950'li yılların sonlarında oluşturulmuş, ancak 1962'de yürürlüğe girmiştir. Başlangıçta OTP'nin temel amacı II. Dünya Savaşı sonrası dönemde karşılaşılan kıtlık sorununa çare bulmaktır. Bu amaçla, OTP kapsamında fiyat desteği sağlayan araçlar devreye sokulmuş, bu da sonunda üretim fazlasına yol açmıştır. Üretim fazlasını eritmek için başvurulan ihracat sübvansiyonları bir yandan AB bütçesi üzerinde ekstra finansal yük doğururken, bir yandan da uluslararası tarımsal ticareti saptırıcı rol oynamıştır. Reform çabalarının çoğunda ana amaç, üretim fazlasını sınırlandırmak, fiyat desteği yerine doğrudan ödemeleri koymak ve AB'yi DTÖ öncülüğünde yürütülen tarımsal ticaret müzakerelerine hazırlamaktır. Ne var ki OTP'de köklü değişiklikler yapmak hiç de kolay olmamıştır. Bu çalışmada, AB ortak tarım politikasında reform yapmanın zorluklarına ilişkin üç temel sebep üzerinde durulmaktadır: ulusal çıkar çatışması, tarım lobisi ve AB organlarının karar alma yapısı. Ulusal çıkar çatışması ile ilgili olarak, AB ortak tarım politikası çerçevesinde AB bütçesine net katkıda bulunan Almanya ve İngiltere, AB bütçesinden tarımsal destekleme nedeniyle net yararlanıcı ülke olan Fransa'nın tarım sektörünü sübvansiyonlara karşı çıkmaktadır. Öte yandan, AB çiftçileri tarımsal sübvansiyonlara aşırı bağımlı olduğu için Ortak Tarım Politikasında en küçük bir değişikliği kabul etmemektedirler. Son olarak, Avrupa Birliğinin karar alma sürecinde, bir organ tek başına karar alma yetkisine sahip olmadığı için, Ortak Tarım Politikasında ciddi reform yapmak oldukça zordur.

Anahtar kelimeler: Ortak Tarım Politikası (CAP) Reformu, Avrupa Birliği, sübvansiyonlar, fiyat desteği, üretim fazlası, tarım lobisi.

JEL kodları: Q18, O13, F51, F55.