



Project-No. 513416

EU – CONSENT

Wider Europe, Deeper Integration? Constructing Europe Network

Network of Excellence
Priority 7 – Citizens and Governance in the Knowledge-based Society

**Policy papers by young researchers on EU deepening and widening by Team 4:
“Notions of Deepening and Widening in the Common Agricultural Policy”**

Deliverable No. D 141

Due date of deliverable: **28/02/09**

Actual submission date: **28/01/09**

Start date of project: 01/06/2005

Duration: 48 months

Organisation name of lead contractor for this deliverable:
University of Cologne, Germany –Wolfgang Wessels (Partner No. 1)
University College Dublin – Brigid Laffan (Partner No. 9)
Team 4, Charles University Prague (Partner No. 11)

Project co-funded by the European Commission within the Sixth Framework Programme (2002-2006)		
Dissemination Level		
PU	Public	X
PP	Restricted to other programme participants (including the Commission Services)	
RE	Restricted to a group specified by the consortium (including the Commission Services)	
CO	Confidential, only for members of the consortium (including the Commission Services)	

“Notions of Deepening and Widening in the Common Agriculture Policy”

Policy Paper by Young Researchers WP II / III Theories: Team 4 (D141)

February 2009

Tereza Svačinová
Charles University Prague

CONTENT

1. Introduction	1
2. The beginnings of the CAP and of the “deepening” process in this field	2
3. Successful and unsuccessful forms and examples of “deepening” of the EU in this policy	3
4. Successive “widening” processes of the EU and the negotiations about CAP during each of them	4
4.1 Negotiations among the founding members of the European Economic Community ...	4
4.2 CAP and further “widening” of the EU.....	5
4.3 “Widening” of the EU after 2000 and its influence on the CAP.....	7
5. Recommendations for further “deepening” and “widening” of the CAP of the EU.....	7
6. Conclusion	8
Literature used in this paper	1



1. Introduction

The sectors of agriculture and forestry are among the ones that have a direct and fundamental influence on the management of natural resources. That is the reason why agriculture with its 75% share of expenditures presents the most important item of the budgetary heading n² named “Preservation and Management of Natural Resources”. The other domains which come within the ambit of this budgetary heading and which are closely related to the natural resources are rural development, fishery and environment.

The Common Agriculture Policy (CAP) is ranked among the policies which have had Community character from the very beginning. The responsibilities for negotiations in the field of agriculture have been transferred from the member states (MS) to the EU institutions which can definitely be seen as an advantage. The MS got rid of the ungrateful role of a negotiator between the interests of farmers and those of the public. On the other hand, interest groups have always had too strong an influence on the CAP. (*Svačinová in Gaëtane Ricard-Nihoul and Elvire Fabry (eds.), 2008*) New goals of the CAP have been set besides the basic ones (food self-sufficiency, stabilisation of income of farmers, stabilisation of markets and increase of level of living in the country) such as environment regards and subvention of rural areas and their development, etc. These fields have been at last transformed to the separate policies.

Within the scope of this paper I will be concerned with the CAP under the budgetary heading n² and its relation to the notions of EU “deepening” and “widening”. What is the role of this policy in the process/as far as deepening and widening of the EU is concerned? What impact does the above mentioned policy have on these two phenomena? How was this policy influenced by each enlargements of the EU? Does this policy have a positive effect on the “deepening” of the EU? Does the CAP manage to deepen co-operation and improve communication between old and new member states? What are the recommendations for this policy into the future? Let’s focus on the CAP and try to find an answer to these asked questions.

For the needs of this paper I will endorse the following definitions of the terms “deepening” and “widening” which are taken from Deliverable 6 (WP II/III, Team 1) ‘Revised Background Paper’¹:

- The term “**deepening**” is suggested to be broadly defined as a process of “gradual and formal vertical institutionalisation” (Schimmelpfennig/Sedelmeier 2002: 502) or, in neo-functionalist terms, as a rise in the scope and the level of European integration in

¹ http://www.eu-consent.net/library/Deliverables/D6_RevisedBackgroundPaper.pdf, p. 3



terms of institution-building, democratic legitimacy and European policies affecting both the EU's polity and policies.

- The term “**widening**” is suggested to be broadly defined as a “process of gradual and formal horizontal institutionalisation” (ibid.) or, again in neo-functional terms, as a process of “geographical spill-over”. This definition would also include “unofficial” enlargements like the accession of the five new German federal states (Bundesländer) in October 1990.

From my point of view, if I wanted to simplify these definitions so that they are more understandable for the general public I could describe the “deepening” as consolidation of the European integration and the “widening” as geographical or territorial enlargement of the EU.

2. The beginnings of the CAP and of the “deepening” process in this field

Let's look together at the beginnings and the evolution of CAP and evaluate approaches of individual member states and changes the policy underwent as a result of each enlargement. The CAP came into operation in 1958 and was to be one of the fundamentals pillars of the European integration.

The CAP, however, suffered from the very beginning by the fact that each MS had a different opinion on its design/form, which was given by differences in their background and experience (agriculture vs. industry oriented countries). The problem was to be solved by the so-called compensation principle based on priority consumption of more expensive European products in exchange for free import of industrial products. This basic principle of the CAP has nevertheless caused many problems. As prices in the European Community were growing, the actual compensations were on decline - and the industrial countries were getting into unfavourable position. (Svačinová in König, Lacina, 2009)

The Stresa conference set another principle of so-called financial solidarity, meaning distribution of CAP costs among all member states. This principle led to the establishment of the European Agricultural Guidance and Guarantee Fund (EAGGF) as the main financial instrument of the CAP. Both of these fundamental principles have had direct impact on the increase of the Member States (MS) expenditures, which is subject of main criticism of the CAP. The CAP has become one of the most expensive compromises of the Community and still faces much criticism. (Svačinová in Gaëtane Ricard-Nihoul and Elvire Fabry (eds.), 2008)



But on the other hand the CAP soon acquired the Community character and generally it is possible to say that during its existence the CAP has considerably assisted to the growth of political integrity of the EU - and therefore the CAP had a very strong impact on the “deepening” of the EU.

Each crucial or reformative step within this policy is preceded by complex negotiations and months-long discussions, which take into account opinions and attitudes of all the MS. These debates will eventually end in a certain compromise. As the agriculture sector plays a role of different importance in each of the MS, discussions and negotiations in the field of the CAP are very exciting. The proportion of agriculture in GDP is different in each MS, also the percentage of the people employable in agricultural sector; as well as exploited agricultural area, the traditions of the MS, natural conditions and climatic effects. That's why it is not easy to find a convenient compromise among so many MS with different conditions and attitudes to the agricultural sector but so far they have always managed to find some resolution more or less convenient to all MS.

3. Successful and unsuccessful forms and examples of “deepening” of the EU in this policy

The agricultural sector is very unstable which is caused by its many specific features such as long process of manufacture, consumer behaviour, limited storage ability and so on. For the reason of stability of this sector financial support from the government or the EU is therefore necessary.

The CAP on Community scale should mainly provide a definite life-net for European agriculturists and attempt to unify and satisfy their land interests. The regulation measures which are to protect the European farmers are all right at definite rational scale but it is not correct that the multiplicity of the measures were responsible for the strain of the market from the point of view of non-member states. It is positive that this policy strengthens European integrity, enforces many new regulations and measures valid in all MS but the “deepening” in this area mustn't in any case proceed at the expense of the non-member states. Examples include the measures regulating foreign trade.

In order to ensure one of the fundamental principles of the CAP - “principle of Community preference” or we can say the preference of the EU's products it was necessary to raise the price of the products from the non-member states so that the European products could compete with these products.



As an example we could name arrangements such as custom duties of imports, countervailing charges and in the case of export the so-called export subventions. Thanks to this export refunding the European farmers are competitive in the world food market. Unfortunately, this form of “deepening” can’t be viewed very favourably.

But there are other legislative measures that certainly can be seen as positive. Creation of Common Market Organization (CMO) for most crop and agricultural products is a good example. At the present time we register twenty two CMOs. These organisations and their regulations are always arranged on Community scale and discussed among all MS – and represent one of the good steps to the “deepening” of the EU.

4. Successive “widening” processes of the EU and the negotiations about CAP during each of them

I will now focus on the process of “widening” of the EU. How did it affect the policy making process and changes in the CAP? What were the views and positions of the MS on this common policy?

4.1 Negotiations among the founding members of the European Economic Community

It is chiefly the attitude of the big and advanced MS that shapes the CAP. As far as general interests are concerned, the position of those countries towards the CAP is similar, that’s true, but their approaches vary, as their agricultural sectors differ hugely. During the negotiations about the creation of the CAP France and Italy agreed on the common intent to export the agricultural excess to the neighbouring countries. The Netherlands finally followed their suit because it began to orientate on high farming (intense type of agriculture) rated to the export and thereby it started to be more competitive.

Germany’s interest lay particularly in the creation of the common market with free movement of goods and agreed to the delay of the creation of the CAP. Germany also didn’t fall in with implementation of the already mentioned “principle of Community preference”. The negotiations about the creation of the CAP are the first example of the “negotiations on the so-called packages” which should guarantee the MS’s interests are in balance in all phases of the negotiations. The founding members of the European Economic Community (EEC) have finally uniquely agreed on the intent to develop agricultural production in order to ensure food self-sufficiency and unburden the deficits of their trade balances.

But we can’t judge diversity of agricultural sector in each MS only as negative because those differences in conditions in each MS enabled the states to be suitable complementary to



each other in many domains of agricultural production. French grain excess could find its trade-outlet in Germany. At that time Italy was the only Mediterranean state with typical south agriculture and the Netherlands could deliver meat and meat products to the common market at favourable prices. The members of EEC also concurred that it was necessary to modernize the agriculture sector so that more manpower needed for the evolving industry could be released.

As far as the level of agriculture of some of the founding members is concerned, Great Britain disposes of small deficit but concentrated on productive agriculture. After the accession to the Community it was forced to relinquish cheap exports from its colonies and it started to contribute to expansive agricultural policy of the Community instead. And as the subventions for Great Britain were in the long term lower in comparison with the other more agriculture-oriented MS, the country has striven to rectify this inconvenient state of affairs and to reform the system of CAP. (*Tvrdoň, 1993*)

Germany's agriculture was strongly deficient but some agricultural products were supported by sophisticated system of subventions, while some scarce commodities were cheaply imported. Germany agreed with the implementation of CAP only in exchange for the opening of French market for vast German industry production.

At that time, Italy had a rather unbalanced economy so what it expected from the accession to the EEC was, among other things, help aimed at improving the conditions in agricultural production. In the long term, the Italians fall among the supporters of CAP, the same as France. (*Neumann, 2004*)

So the first period of negotiations in the field of the CAP turned out successful and the MS found a compromise convenient to everybody. It was the first important step and these bases were used to implement other legislation and regulations and continue in "deepening" of this policy on Community scale.

4.2 CAP and further "widening" of the EU

When focusing on further enlargement of the EU and the stance of the accessing states towards the agriculture sector, we can notice that their attitude towards the CAP depended mainly on the importance and volume of their agricultural sector. Ireland's agriculture sector was primarily very behindhand, with majority of its export to the UK and Ireland's agriculture portion on GDP and on employment rate was very high. But after its accession to the EU, which was inevitable as the country was so highly dependant on a strong partner, it acquired



higher prices for its agriculture products. Ireland extended its trade outlet and could draw financial contributions from Structural Funds. (*Tikal, 1992*)

Danish agriculture disposed especially of advanced livestock production which exceeded domestic needs and that's why Denmark took interest in the export's expansion. Danish position was at first positive but during the time it started to criticise the financial expensiveness of the CAP.

As far as the states of Benelux are concerned, their position towards the CAP is different. The Netherlands see advanced agriculture as a branch of high importance, while Belgium considers agriculture, even though in surplus, as rather unimportant in comparison to industry. Luxembourg was in the same position. The main motivation for both of these states for entering the EU s' markets was the industrial production. (*Bednařík, 1970*)

Less advanced countries from the southern part of the EU - Spain, Portugal and Greece may be characterized by high portion of agriculture in their economy. They wanted to enter the Community in order to obtain access to the EU's large markets and to get structural support intended for modernisation of agriculture. Both France and Italy were against the accession of these states for fear of surplus of cheap south products on the common market but they may have been more afraid of the competition - for example on the wine market. Spain, Portugal and Greece are, on the other hand, permanent and steady supporters of the CAP.

The states from the last West European wave of enlargement - Finland, Sweden and Austria dispose of specific and less favourable natural conditions for agriculture production. Finland's agriculture suffers from arctic climatic conditions; Austria's agriculture suffers from high portion of mountainous areas. That was the reason of the high level of these states' subsidies – much higher than what the EU agricultural subventions were. (*Neumann, 2004*)

Also the prices of food were twice as high in these countries than the prices in the EU. The accession of these three countries to the EU was, as far as agriculture is concerned, very complicated because they agreed to make only small concessions. Finland even required special subsidy of agricultural production for the "less favoured areas" (LFA). Finland and Austria are in principle satisfied with the CAP but Sweden has recently become a part of the critical voices of CAP's financial intensity and it is in favour of liberalization of food markets.



4.3 “Widening” of the EU after 2000 and its influence on the CAP

When we focus on the states which entered the EU in 2004 and compare their agricultural sectors, Poland leads because its agriculture forms a very high portion in the whole employment. That's the reason why Poland is very often heard when the EU and MS resolve some important decision in the field of the CAP. Agricultural sector is also an integral part of economics of the states which entered the EU in 2007 – Romania and Bulgaria. Both these MS had large rural areas where work in agricultural sector is often the only means of supporting the family. Unfortunately the agriculture of these states is very backward and it is necessary to realize modernisation of the whole sector there. So in this field the “deepening” of the EU and co-operation there is still a lot of work to do and the EU faces a clear challenge there. (Svačinová in König, Lacina, 2009)

CAP is a very complicated policy because of the different interests and positions of each MS. It is extremely difficult to unify the regulations in the framework of the CAP so that it was convenient for all the concerned states. Although rural development and environment is getting more important than earlier we mustn't forget the first and fundamental pillar of the CAP according to which the CAP has above all to ensure stable agricultural markets, reduce price fluctuations, guarantee sufficiency of safe and high-quality food, ensure stable income to farmers and support foreign trade but on a reasonable scale.

5. Recommendations for further “deepening” and “widening” of the CAP of the EU

What conclusion can we make of this issue? It is necessary to strengthen the EU agriculture, improve its competitiveness, which is not going to be easy, particularly after the last EU enlargement with two predominantly agriculture countries which have undeveloped agriculture and need strong support. Majority of agriculture farms from the whole EU are situated in the area of Poland, Romania and Bulgaria but represent very low percentage of the whole EU agriculture production. It is necessary to solve it by supporting growth of their efficiency or reducing the number of the farms. The question is whether to still keep the logic of “Communicating Vessels” or not and whether to take from the stronger states so that we can then give to the weaker ones instead. (Svačinová in König, Lacina, 2009)

Also, it is necessary to match the level of subsidies. Leading the CAP on supranational level has some advantages – it ensures that conditions and rules for environmental protection are fulfilled by all MS. However, we cannot say that the national character of the CAP ensures equal conditions for all farmers in the EU, especially in the matter of subsidies policy.



The Centre for European Reform (CER) published a study at the turn of 2005 and 2006 which proves how much unfair and ineffective the CAP is. Thanks to the CAP, prosperity is ensured mainly for the big farms in rich countries. The level of subventions between old MS and new MS should be made equal in 2013. But the study of CER proves that the new MS which entered after 2000 will anyway get fewer subsidies than the old MS because the new MS's farms are not as remunerative as the old MS's farms and what's more, they are more labour intensive. So if these regulations remain in force the average payment per hectare will be 183 euros in the new MS and 256 euros in old ones. The CAP gives priority to richer MS as well as an advantage to the big farms. Approximately 80% of payment goes to 20% of the biggest farms. The process of the "deepening" of the EU should proceed with equal conditions for all MS, so that the new MS should get more subsidies than the old MS. (*Agroweb, 2005*)

But what can we say to defend the CAP? It is hard to fulfil all rules, goals and intentions when there is a process of constant enlargement. Accession of new countries with a different agriculture level will always influence future working of the CAP significantly. That is why it is necessary to make revisions of this policy more often. And also it is necessary to pay more attention to the situation outside the EU. CAP is not only EU policy; it must be able to react to changes outside the EU, particularly at the important markets (US, China and others). (*Svačinová in Gaëtane Ricard-Nihoul and Elvire Fabry (eds.), 2008*)

And what I evaluate very positively is the "pre-accession financial support" to applicant countries. As an example I can mention programme SAPARD for the states from the enlargement in 2004 and programme IPARD which applies now to the current applicant countries. This type of "deepening" and cooperation implemented even before the accession to the EU is commendable and favourable.

6. Conclusion

As this paper proves the CAP plays very important role, because it has always been difficult (even in the past among the founding members) to settle on its rules which would be convenient to all MS. That's why the negotiations were from the beginning lengthy and relatively frequent. The MS had to find common and acceptable compromise and this forced them to communicate more closely and intensively. Thereby it is possible to say that this policy have had very positive influence on the "deepening" of the EU since its early days. Thanks to the fact that this complicated policy has always had Community character and all legislative measures had to be arranged and settled on Community scale it was necessary that the MS expressed their opinions to the matter at hand as soon as possible. The MS then



created alliances of sorts accordingly to their common opinions. Generally and in the long term it is possible to evaluate the CAP in relation to the “deepening” of the EU as positive. More specifically we can say that the CMO is the good face of “deepening” even though the regulating mechanisms used within the foreign trade are not very favourable - but the EU has already started to reduce these measures.

The process of “widening” of the EU in this field has also been complicated, as this paper clearly shows. Each new acceding country demanded observance of certain conditions and concessions within the CAP. But finally all enlargement waves proceeded quite well. I say “quite” because for example unequal subsidies are definitely “eyesores” of this policy and if the situation does not change, the EU and CAP will continue to be criticized for that by the new MS which joined the club after 2000. And this fact will always cause differences in the point of view of new and old MS and influence their relation within the CAP. The “pre-accession financial support”, on the other hand, is a highly valued programme which has a positive impact on both “deepening” and “widening”.

It is unambiguous that the CAP has very strong influence on the “deepening” of the EU and plays also a considerable role in negotiation processes about the EU enlargement and in the matter of its further “widening”.



Literature used in this paper:

TVRDOŇ, J. *Britské zemědělství pod drobnohledem. Ekonom* č. 12. Praha, 1993. („*British agriculture under the microscope*“)

TIKAL, S. Zkušenosti z otevírání irské ekonomiky. *Politická ekonomie*, č. 3. Praha, 1992. („*Experience from the opening of the Irish economy*“)

BEDNAŘÍK, Z. a kol. *Integrace zemědělství Evropského hospodářského společenství*. Praha : Academia, 1970. 332 s. („*Integration of the EEC's agriculture*“)

NEUMANN, P. *Společná zemědělská politika EU: vznik, vývoj a reformy, mezinárodní komparace*. Praha : Oeconomica, 2004. 66 s. ISBN 80-245-0814-1. („*Common Agriculture Policy of the EU: creation, development and revisions, international comparison*“)

SVAČINOVÁ, T.: CAP Health Check – Prevention or Revision Needed? in Gaëtane Ricard-Nihoul and Elvire Fabry (eds.), Think Global, Act European, Paris: Notre Europe – Fondation pour l'innovation politique, 2008;
http://www.europeum.org/doc/materialy/TGAE_GB_DEF.pdf

SVAČINOVÁ, T. *Ochrana přírodních zdrojů a hospodaření s nimi*. In KÖNIG, P. a kol. *Rozpočet a politiky Evropské unie: příležitost pro změnu*. Praha : C.H. Beck, 2009. ISBN 978-80-7400-011-9. (Chapitre: “*Preservation and Management of Natural Resources*” in *Budget and policies of the European Union: Opportunity for changes*“)

Agroweb. *Zemědělská politika Evropské unie je neefektivní*. Článek ze dne 14. 12. 2005 [online]. Praha, 2005 [cit. 2008-07-14]. („*Agriculture policy of the EU is ineffective.*“)
<http://www.asz.cz/cs/zpravy-z-tisku/zemedelska-politika/zemedelska-politika-evropske-unie-je-neefektivni.html>

FIALA, P., PITROVÁ, M. *Evropská unie*. Brno : CDK, 2003. 743 s. ISBN 80-7325-015-2. („*European Union*“)