# The Political Economy of the 2014–2020 Common Agricultural Policy

## An Imperfect Storm

CENTRE FOR EUROPEAN POLICY STUDIES

EDITED BY

JOHAN SWINNEN

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This book is dedicated to our colleague and friend Giovanni Anania, who sadly died on 15 July 2015, just days before this book went into print. We were fortunate to have his valuable contributions and insights to this volume as well as other projects at CEPS. We want to express our sincere condolences to his wife, family, friends and colleagues at the University of Calabria.

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**Johan Swinnen**

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| | |
|---|---|
| AMS | Aggregate Measurement of Support |
| ANC | Areas with Natural Constraints |
| AoA | Agreement on Agriculture |
| ARC | Agricultural and Rural Convention |
| BEPA | Bureau of European Policy Advisors |
| BPS | Basic Payment Scheme |
| CAP | Common Agricultural Policy |
| CBD | Convention on Biological Diversity (United Nations) |
| CEEC | Central and Eastern European country |
| CEMA | European Agricultural Machinery |
| CETA | EU-Canada Comprehensive Economic and Trade Agreement |
| CMO | Common Market Organisation |
| COMAGRI | Committee for Agriculture and Rural Development |
| CONT | Committee on Budgetary Control |
| COP | Conference of the Parties |
| CSE | Consumer Support Estimate |
| CSF | Common Strategic Framework |
| DDR | Doha Development Round |
| Defra | Department for Environment, Food and Rural Affairs (UK) |
| DP | direct payment |
| DSB | Dispute Settlement Body |
| EAFRD | European Agricultural Fund for Rural Development |
| EBA | Everything but Arms |
| ECOFIN | Economic and Financial Affairs Council |
| ECPA | European Crop Protection Association |

| | |
|---|---|
| EEB | European Environmental Bureau |
| EFA | Ecological Focus Area |
| EGAF | European Globalisation Adjustment Fund |
| EIP | European Innovation Partnership |
| ELO | European Landowners' Organisation |
| EMFF | European Maritime and Fisheries Fund |
| ENVI | Committee on the Environment, Public Health and Food Safety |
| EOs | environmental organisations |
| EPG | European Party Group |
| ESA | European Seed Association |
| ESA | European Society for Agronomy |
| ESF | European Social Fund |
| ESI | European Structural and Investment funds |
| FEFAC | European Feed Manufacturers' Federation |
| FO | farmer organisation |
| FTA | Free-Trade Area |
| G20 | Group of 20 |
| GAC | General Affairs Council |
| GATT | General Agreement on Trade and Tariffs |
| GEAC | Good Agricultural and Environmental Conditions |
| GVA | gross value added |
| IBO | Inter-Branch Organisation |
| IEEP | Institute for European Environmental Policy |
| IFOAM | International Federation of Organic Agriculture Movements |
| IIA | Inter-Institutional Agreement |
| LDC | Least developing country |
| MDG | Millennium Development Goals |
| MFF | Multiannual Financial Framework |
| MFN | Most-Favoured Nation |
| MS | Member State |
| MTR | mid-term review |

| | |
|---|---|
| NMS | New Member State |
| NSF | National Strategic Framework (for the Structural Funds) |
| NSP | National Strategic Plan |
| ODA | Official Development Aid |
| OECD | Organisation for Economic Co-operation and Development |
| OMS | old member states |
| PA | Partnership Agreement |
| PDO | Protected Designation of Origin |
| PGI | Protected Geographical Indication |
| PO | Producer Organisation |
| PSE | Producer Support Estimate |
| QMV | Qualified Majority Vote |
| RCV | Roll-Call Vote |
| SAPS | Single Area Payment Scheme |
| SCF | structural and cohesion fund |
| SCMO | Single Common Market Organisation |
| SPS | Single Payment Scheme |
| TRQ | Tariff Rate Quota |
| TTIP | Transatlantic Trade and Investment Partnership |
| UAA | Utilised agricultural area |
| UKIP | United Kingdom Independence Party |
| UNCSD | United Nations Conference for Sustainable Development |
| UNFCCC | United Nations Framework Convention on Climate Change |
| WTO | World Trade Organisation |
| WWF | World Wildlife Fund |

# About the Contributors

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# PREFACE & ACKNOWLEDGEMENTS

The political economy of agricultural and food policies remains a fascinating and important topic. This holds in general with many poor countries in the world taxing their farmers while many rich countries subsidise agriculture. It also holds for the European Union. Since the start of the Common Agricultural Policy (CAP), the EU has spent a large share of its budget on supporting European agriculture. In 2013, it was decided to spend more than €400 billion over the remainder of the decade on the CAP. The 2013 decision ended years of discussion and negotiations on the future of the EU's agricultural policies. It not only had major implications for the EU's budget and farmers' incomes, but also for Europe's environment, its contribution to global climate change and to food security in the EU and elsewhere in the world.

This book discusses the outcome of the decision-making and the factors that influenced the policy choices and decisions. It brings together contributions from academics and policy-makers, and from different disciplines.

The precursor to this volume was our 2008 book, entitled *The Perfect Storm: The Political Economy of the Fischler Reforms of the Common Agricultural Programmes,* to which several of the authors in the present book also contributed. Since then several workshops and seminars have been organised on what was typically referred to as the '2013 CAP reform'. One workshop was organised in Zurich at the 2011 Congress of the European Association of Agricultural Economists (EAAE) and others in Brussels at the Centre for European Policy Studies (CEPS) and in Ljubljana at the 2014 EAAE Congress. Many contributors to this book participated in numerous other discussions and panels on the CAP. Part of the chapters in this book are based on background analyses carried out for a study for the European Parliament entitled "The first CAP reform under the ordinary legislative procedure: A political economy perspective".

The book is organised in several parts. The first part presents the key outcomes of the decision-making process and the CAP for 2014-2020 and offers an assessment of the policy outcomes by leading academic analysts. The second part has perspectives from the European institutions, written by key participants in the process and negotiations from the European Commission and the European Parliament.

The third part includes chapters that discuss key elements of the CAP reform negotiations and its political economy components, including the link with the budgetary negotiations, the negotiations on greening and the role of the WTO. The fourth part focuses specifically on how co-decision and the European Parliament influenced the CAP decision-making. The final part concludes and looks at the future, with several chapters discussing the likelihood and need for the next CAP reform.

We include an Appendix at the end of the book that summarises the positions taken by the European institutions during the negotiations on specific CAP issues and the final regulations, which we hope will be a useful tool for reference purposes and further research.

Many people and organisations contributed to the production of this book. The organisation of the workshops and the publication of the book were financially supported by CEPS and the LICOS Centre for Institutions and Economic Performance of the University of Leuven. Louise Knops, Maria Garrone and Kristine Van Herck provided invaluable support, both in terms of the actual analysis and research, and as organisers of various activities that preceded the book. Lee Gillette and Els Van den Broeck at CEPS did a wonderful job in copy-editing the book and on the lay-out.

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Johan Swinnen
Brussels, June 2015

# 1. THE POLITICAL ECONOMY OF THE 2014-2020 COMMON AGRICULTURAL POLICY: INTRODUCTION AND KEY CONCLUSIONS

*JOHAN SWINNEN*[*]

After an elaborate process, a decision on the Common Agricultural Policy (CAP) for the 2014-2020 period was reached in 2013. The process involved the main European institutions: the European Commission (Commission), the Council of the European Union (Council), the European Council[1] and the European Parliament (EP). It involved consultations with European

[*] I thank Giovanni Anania, Emil Erjavec, Imre Fertő, Maria Garrone, Louise Knops, Attila Kovacs, Alan Matthews, Alessandro Olper and Alan Swinbank for excellent comments on an earlier version of this chapter. All remaining errors and expressed opinions in this chapter are my responsibility.

[1] The European Council is the Council of the Heads of State and Government, whereas the Council of the European Union (sometimes called the Council of Ministers) is the institution representing the member states' governments. Also known informally as the EU Council, the latter is where national ministers from each EU member state meet in different configurations to adopt laws and coordinate policies. In the context of this book, these gatherings are called Agriculture and Fisheries Councils, which we shorten to Agriculture Council (see www.consilium.europa.eu/en/council-eu/configurations/agrifish/). Although both Councils played an important role in the 2013 reform of the CAP, the European Council is not part of the CAP decision-making process according to the legislative rules. It nevertheless had an important impact, as we will explain later.

citizens and 'stakeholders' and intense lobbying activities on the part of various interest groups. The process started informally as early as 2008 and more formally in April 2010, when the Commission launched a public debate on the CAP's future. In June 2013, a political agreement was reached between the Commission, the EP and the Council under the Irish Presidency.[2] In the last months of 2013, the regulations were formally adopted by the Council and the EP. Delegated Acts to clarify technical implementation details were approved in April 2014. Afterwards member states went to work on how they would implement various policy areas where they had flexibility in implementing the regulations.

The length and complexity of the process are not indicative of the reform outcome. Bureau & Mahé (ch. 3) even argue that comparing, for example, the 2003 CAP reforms with the recent CAP decisions, there appears an inverse correlation between the length of the process and the significance of the policy reforms. Many authors in this book share the opinion that the outcome of the decision-making process was disappointing. In fact, nobody seems to be very enthusiastic about the outcome – albeit not always for the same reasons.

The subtitle of the book, and part of the title of my political economy analysis in chapter 17, "An Imperfect Storm", refers to the contrast with the 2003 reforms where many different factors (economic, political, institutional, etc.) combined to create a 'perfect storm' triggering a radical reform of the CAP (see Swinnen, 2008a). In contrast, the factors that induced the policy discussions in 2008-13 and that influenced the decision-making did not reinforce each other. On the contrary, they sometimes counteracted one another, yielding an 'imperfect storm' as it were, which was reflected in much less dramatic changes in the CAP and much more emphasis placed on the status quo in several important policy elements.

[2] There were important intermediate events between April 2010 and June 2013, such as the publication of the Commission's proposals in 2011 and the MFF (multiannual financial framework) agreement in early 2013. Knops & Swinnen (2014) provide a detailed timeline and explanation of the various steps and procedures.

The CAP is a complex policy involving many different components and issues. Accordingly, the contributors to this book are recognised experts on their particular topics. I will therefore refrain from going into too much detail in this chapter and refer the reader to the specific chapters that deal with specific analyses and more details. Hence, my key conclusions here will be a rather brief summary, focused on what I thought were common themes and findings.

Arguably the main common theme is the discussions and decisions on 'greening' of the CAP, i.e. reforms of the CAP to enhance its impact on the environment and climate change. It was a major element in the public debate, in the Commission's proposals, in the ensuing negotiations on the future EU budget in the European Council, among and within the member states, and in the EP. It was the subject of intense lobbying by interest groups and of severe ex-post critiques.

Other common themes include the new role played by the European Parliament, the complex relationship between the CAP and the overall budget negotiations under the multi-annual financial framework (MFF), the impact of the Eastern enlargement and of the food price spikes on global markets, etc. In this chapter I attempt to present a set of conclusions from the many chapters and identify where there is consensus and where not.

At the same time, this chapter is an attempt to guide the reader to the other chapters where more detailed arguments can be found. For the reader's reference, I include a series of tables in Annex to the book (Kovacs et al.), which summarise the positions taken by the European institutions on specific reform elements, as well as the final decisions on the CAP for 2014-2020.[3] I refer to chapters 2 and 3 for a detailed analysis and discussion of the 2013 CAP decisions.

[3] For complementary information and an excellent guide and review of the CAP process and its future, the reader is referred to the series of blogs and comments on www.capreform.eu by leading European experts including Alan Matthews, J.C. Bureau and Emil Erjavec, all of whom are authors in this book. The website also has a most useful archive of commentaries since before the start of the 2010-2013 CAP reform process.

## 1. A CAP 'reform'?

"Reform"
(Oxford Dictionaries Online 2015)

Verb:
"Make changes in (something, especially an institution or practice) in order to improve it."
Noun:
"The action or process of reforming an institution or practice."

In the conclusions of my edited volume on the 2003 CAP reform (Swinnen, 2008a), I addressed the question: Were the Fischler reforms radical reforms? (And the general consensus was that in several ways they were radical reforms.)[4] The question with the 2013 CAP decisions is not so much whether they are radical reforms (the consensus on this is "no"), but whether they are captured appropriately by the term 'reforms' at all.

In answering this question, it is important to consider two sub-questions: How large are the (policy) changes? In what direction do the (policy) changes go? Reform means change, but change is, in itself, an ambivalent term because it hinges on the direction of the change. Many authors in this book struggle implicitly with this issue when they are trying to evaluate the policy decisions. Alan Matthews (ch. 19) acknowledges that "the discussion can get very confused" because people have very different interpretations of what they mean by 'reform'. Some of the difficulties in interpretation and evaluation are also reflected in the categorisation of Anania & Pupo D'Andrea (ch. 2) of member states along a "more or less conservative" dimension and in the discussion in Erjavec et al. (ch. 9) discussion of "conservative member states" and the different discourses surrounding the policy measures.

Anania & Pupo D'Andrea (ch. 2) as well as Bureau & Mahé (ch. 3) conclude that a general evaluation of the CAP decisions is "difficult" and arrive at a mixed evaluation, which differs for specific elements of the decision. Haniotis (ch. 5) summarises his view on how the targets set at the beginning of the process were

[4] See Chapter 10.2 in Swinnen (2008b).

achieved as follows: "Fairer? Yes. Simpler? Definitely not. Greener? Still unclear."

The general assessments in this book seem to be that: a) there have been some policy changes (obviously); b) some of the policy changes are 'new' (e.g. it is the first CAP reform with explicit[5] redistribution of budgets between member states); c) that the policy changes are relatively minor; and d) the policy changes are not always coherent in terms of the perspective on the objectives of the CAP that they serve (e.g. some are consistent with the long run 'reform process' of less market interventions; others are inconsistent with this).

Bureau & Mahé (ch. 3) conclude that from many perspectives the process has been "a lost opportunity", and Anania & Pupo D'Andrea (ch. 2) that "those who hoped the financial resources would not be severely cut ... and for the reformed CAP to bring as few changes as possible, are probably quite satisfied by the result". As I already pointed out, some of the main critical evaluations relate to the 'greening' aspects of the CAP, which leads Erjavec et al. (ch. 9) to conclude that "the reform was an empty shell" – an assessment shared by many others in this book (see further). Perhaps illustrative of the overall assessment is that several authors consider one of the main 'achievements' of the reform the status quo outcome in the area of market orientation of the CAP (e.g. Bureau & Mahé (ch. 4) and Swinbank (ch. 8)).[6]

In summary, this brief introductory review should make it clear that the 2013 decisions on the CAP for the 2014-2020 period are not very accurately summarised by the concept of 'reform'. In fact, some observers object to the concept for the 2013 decision, arguing that it gives the outcome (and the process) too much credit – and would prefer to use 'repackaging' or 'recalibration'. That said,

[5] One should distinguish between "budget redistribution" and "redistribution" in general because decision-making on intervention prices, tariffs and quotas under the old CAP had important implications for rent distribution across member states.

[6] Obviously these evaluations depend on the perspectives of the authors and those who favoured more regulated markets see this as a negative element of the reform – or something to address in the future (see the discussion in De Castro & Di Mambo, ch. 5).

almost all authors in this book use the term 'CAP reform', as do many people who are not contributors to this book, mostly as a term of convenience rather than a value judgement.

## 2. Public funds for public goods? Greening of the CAP?

A factor that received a lot of attention both from economists and ecologists was the need to link the CAP payments much more strongly to 'environmental' or 'public good' objectives. Ecologists had long been arguing to use the payments to reduce the negative impact of EU agriculture on climate change, to enhance biodiversity, etc. (see chs 6, 10 and 20 by Potočnik, Hart and Buckwell, respectively). Economists saw this as the next step in the long-term reform path of farm support: from distortive interventions in the 1970s and 1980s to less distortive payments in the 1990s (after MacSharry), to decoupled payments in the 2000s (after Fischler), to (more?) targeted payments in the 2010s, as e.g. reflected in an early report by Bureau & Mahé (2008) and the statement of a group of 'leading agricultural economists' (Anania et al., 2010). These objectives were summarised in the 'public funds for public goods' statement.

However, farm organisations were mostly opposed to these arguments as they saw them as posing additional constraints and increasing their production costs. Opponents of specific greening measures also claimed that they would increase bureaucracy and would be costly to monitor and to implement.

The 2013 decision on this part of the CAP is the one that has received the most critiques. Many authors in this book see this as a major weakness or failure of the reform – maybe best captured by the judgement of "greenwash instead of greening" by Erjavec et al. (ch. 9). Hart (ch. 10) refers to others who, despite the Commission's claim that greening is now a permanent element of the CAP, even argue that the 2013 decisions take a step backwards instead of forward for the integration of environmental concerns in the CAP.

A different perspective is presented by De Castro & Di Mambo (ch. 5) who argue that the "greening of the first pillar can be viewed as a reinforcement of the environmental cross-compliance … and is … necessary to strengthen the contribution of the sector to the correct management of environmental resources". They explain the position, which dominated the EP's Committee for Agriculture and Rural Development (COMAGRI), that the Commission proposals did not sufficiently take into account the implementation problems for the farmers and the problems of compliance and payment controls, and measurements of environmental impacts of farmers' obligations. This perspective (or the unofficial purposes that it served) was very influential in the end, not just in the EP but also in the Council.

The explanations offered in several chapters why the requirements on 'greening' in the final agreement were so weak is a combination of several elements. The first is that the reform proposals presented by Commissioner Dacian Cioloş (2010-14) were not very ambitious to begin with. This lack of ambition is explained, among other reasons, by a limited commitment to greening and the relative inexperience of the Commissioner and his cabinet. Anticipating opposition in the Council and the EP, they seemed to have wanted to minimise conflicts by proposing a compromise in the first proposal (Erjavec et al., ch. 9). Yet, despite this 'weak' proposal, Hart (ch. 10) explains that the reactions to the Commission's greening proposals "*were almost universally negative*". Farming organisations criticised the obligation to set aside land; environmental organisations were disappointed with the limited ambition; economists criticised it for proposing inefficient instruments; the Council claimed the proposals would lead to more bureaucracy; etc.

Another factor is the role of the European Parliament where the COMAGRI was able to control much of the decision-making, with farm interests having more influence than environmental organisations (Roederer-Rynning, ch. 13; Hart, ch. 10; Knops & Garrone, ch. 16). At the same time, much of the positions of the EP were shared by the Council of Ministers, which joined the EP on many aspects that weakened the greening requirements (Bureau &Mahé, ch. 3; Fertő & Kovacs, ch. 15). Erjavec et al. (ch. 9) argue that the most important and effective opposition came from the member states in the Council. Sahrbacher et al. (ch. 11) also argue that on the issue of capping and degressivity it was the Council's position that was dominant in the decision-making.

Yet another factor is the fact that the MFF negotiations were separated from the decisions on the greening details, and the farmers-environmental organisation coalition (see further) fell apart after the budget decision was made. This resulted in a no-holds-barred, and successful attack on the greening conditions after the MFF budget was agreed (Matthews, ch. 8) without a strong and committed Commissioner to keep the coalition together and an institutional process that made sustaining coalitions more complex (Swinnen, ch. 17). The collapse of the coalition seems to have taken environment groups by surprise. Maybe they expected the same process as in 2002-03 and this time the surprise was on the 'pro-reform' side, while in 2003 the surprise was on the 'anti-reform' side (Swinnen, ch. 17) or they overestimated their capacity to overturn the COMAGRI amendments in the plenary vote (Roederer-Rynning, ch. 13).

A final element is that the increase in food prices induced much interest and concern for global food security and gave ammunition to the political arguments that environmental regulations that would restrict agricultural production would lead to higher food prices and undermine EU and global food security (Guariso et al., 2014; Haniotis, ch. 4; and Swinnen, ch. 17).

## 3. The multi-annual financial framework (MFF) and CAP reform

Several authors point to the importance of the link between the MFF negotiations and the CAP negotiations. There are several elements.

As Swinbank (ch. 12) explains, in 2005: "The British Government pressed for a new CAP reform debate, […], and in the European Council meeting of December 2005 secured a commitment for the Commission to undertake a full, wide ranging review covering all aspects of EU spending, including the CAP, and of resources, including the UK rebate, to report in 2008-09." While Swinbank goes on to argue that the impact of the UK government on the 2013 CAP decision has been very limited, it is an interesting hypothesis that, if it had not been for Blair and the UK government in 2005, there may not have been a substantial discussion and negotiation about a 'CAP Reform' as we have witnessed in 2009-13 (although there would have been negotiations on the 2014-10 MFF).

The pressure to reduce CAP spending in the 2014-2020 MFF was reinforced by global events after 2008. The financial and economic crisis caused major economic and consequently budgetary problems for governments in all member states. It put pressure on budgets as tax revenues declined and demands for social spending (including unemployment benefits) increased (Haniotis, ch. 4; Swinnen et al., 2014).

Several authors, in particular Alan Matthews in ch. 7, explain how the parallel negotiations of the MFF and the CAP were important. He identifies three linkages: 1) the need to create a narrative to legitimise and defend the share of the CAP budget in the 2014-2020 MFF (reflected in the 'public funds for public goods' argument and coalition); 2) the compression of the time to conclude the CAP negotiations as the EP and the Council delayed their approval of their CAP mandates until the budget figures were decided; and 3) the inclusion of particular CAP elements by the European Council in the MFF (in the so-called 'negotiation box'), which influenced the later CAP decision-making as EP voting on the MFF involved different procedures (the EP could only vote on the whole package without the possibility of amendments) while several key CAP elements were in the 'negotiation box' of the Council MFF. This particular process reduced the influence of the EP and enhanced the influence of the member states (through the European Council) on the final CAP decision.

Matthews also argues that the second element (the shortening of the final negotiation phase) strengthened the hand of those arguing for minimal changes in the negotiations: *"The insistence of the EP that no serious CAP negotiations should begin until the budget numbers are known worked to strongly favour those holding a status-quo oriented position on the reform proposals (for example, farm groups) while disadvantaging those who sought a more radical change in the orientation of the CAP (for example, environmental groups seeking a greater focus on environmental public goods)."*

A key element emphasised by several authors is that the months after the MFF agreement (in March 2013) were crucial in the CAP decision, as many of the details of the CAP, including greening conditions, were decided ("further watered down" as Erjavec et al. and Hart describe it) in these months, after the MFF was decided and the budget was sealed. In those months 'public funds for public goods' was no longer as relevant for securing political support as the CAP budget had already been agreed.

What is intriguing, however, from an historical perspective is that the timing and the approach at first sight were not so different from the 2003 CAP reform decision-making. Also then the EU budget decision preceded the CAP decision by several months.[7] Cioloş, like Fischler in 2003, established a coalition within the Commission that supported CAP funding if key reforms would be implemented. As Matthews (ch. 7) and Hart (ch. 10) explain, Commissioner Cioloş gained the support of the Commissioners for Environment and Climate Change and ultimately the College of Commissioners to maintain the CAP budget provided that the CAP would be reformed to put more emphasis on the environment and climate change.

Yet the coalition between those who wanted a large CAP budget and those who insisted that the budget should be used in different ways survived during the months after the budget agreement in 2003 but not in 2013. Why not? Several factors seem to have been fundamentally different between those (months of) negotiations. One was the personality of the Commissioner of Agriculture and Rural Development and another was co-decision and how it changed the influence of both the EP and the Council.

While Commissioner Fischler is widely recognised as having played a dominant and strategic role in the 2003 reforms, Commissioner Cioloş appears to have been less committed, less

[7] The Fischler 2003 MTR (mid-term review) reforms need to be seen in tandem with the 2002 EU budgetary agreement. The 2003 reform (proposals) allowed Fischler to convince those most opposed to the CAP within the European Commission to agree to a much smaller budget cut than they had asked for. (Other Commissioners and Ministers of Finance targeted a 30% budget cut of the CAP.) By proposing reforms that reduced the negative effects of the CAP on the environment, on market distortions and on the WTO negotiations, and that enabled the CAP to fit within a concept of sustainable rural development, Fischler and his team created a new "legitimacy" for the CAP and a new support base which would reduce the ammunition of those demanding large budget cuts. In this way they were able to convince the Commission to table a proposal (which was later approved) with much more limited cuts for the next financial period (up to 2013) than many desired (Swinnen, 2008b).

experienced or less politically skilled at the European level to keep the coalition and the reform compromise together until the end. Support for this conclusion also comes from Knops & Swinnen's (2014) study where interviews with a series of key participants in the CAP negotiations pointed primarily at the crucial roles played by Simon Coveney, the Irish Agricultural Minister who presided over the negotiations during the Irish Presidency in the spring of 2013, and by Paolo De Castro, the COMAGRI Chair, as well as some of the COMAGRI Rapporteurs. The more limited role played by Commissioner Cioloş and his cabinet is also reflected in the lack of association to the 'reforms' and his name. In the past, the 'MacSharry reforms' and the 'Fischler reforms' (referring both to Agenda 2000 and the 2003 mid-term review policy decisions) are generally associated with the Commissioner for Agriculture and Rural Development. For the 2013 reform there is no such consensus. In fact only one chapter in this book (Anania & Pupo D'Andrea, ch. 2) refers consistently to 'Cioloş' reforms'. For most, Cioloş, who joined the Commission after the process had already begun, was not the driver of the reforms, but more a reluctant participant.

To be fair to the Commissioner, however, one should emphasise that another factor was very different than in 2003: the changed institutional procedure. Co-decision would have reduced the influence of any Commissioner and given more influence to the EP and the Council. In these institutions, the 'budget-for-reforms' coalition was never so strong to begin with. Hence, it is an intriguing question whether the Fischler approach of 2003 would have been equally successful in the institutional environment of 2013.

## 4. Does more democracy lead to a better CAP? Co-decision and the European Parliament

Amongst the political economy factors that shaped the 2013 CAP reform decision-making, the application of co-decision rules to agriculture certainly stands out as an important one. For the first time in the long-standing history of the CAP, and following the coming into force of the Lisbon Treaty in 2009, the European Parliament took full part in the decision-making of the CAP. As Haniotis (ch. 4) writes, *"it now takes three to tango!"*

Ex ante there were many hypotheses on how co-decision would influence CAP decision-making, based on theoretical analyses and empirical insights from other policies where co-decision already applied. There were three key issues, all related: the impact on the power distribution among the European institutions, the impact on the ability to come to a decision (avoid gridlock), and the impact on the 'reform' of the CAP.

Theory predicted that co-decision would imply a transfer of institutional powers from the European Commission to the EP and the member states inside the Council, but this could be mitigated by factors such as an unequal distribution of analytical resources (Crombez et al. (2012); Greer & Hind (2012)).[8] Moreover, as mentioned above, theory and evidence from other sectors suggested that increased gridlock (inability to come to a political decision) could increase (Crombez & Hix 2014). In fact, both the likelihood either of gridlock or of more reform (or more status quo) crucially depends on the interaction of the political preferences of key decision-makers and the specifics of the institutional process (legislative rules).[9] Crombez & Swinnen (2011) suggested that the extent to which co-decision would influence the outcome of the 2013 CAP reform depended crucially on the structure of relative preferences for reform. In other words, the introduction of co-decision could reduce the prospects for CAP reform if the EP was less pro-reform than the Commission or if it would influence the

[8] Greer & Hind (2012) proposed four scenarios to describe the new inter-institutional balance achieved with co-decision: 1) the conventional scenario, where the EP acquires more influence at the expense of the other institutions but is constrained by limited resources; 2) the Council-EP axis, where the Council fills the void created by the lack of EP resources; 3) the Commission-centric model, where the Commission manages to extend its influence; and finally 4) the status quo scenario, where the changes in decision-making rules produced stasis, a more protracted decision-making process that made reform more difficult by reinforcing the status quo.

[9] Crombez & Hix (2014) find empirical support that gridlock intervals are smaller and more legislative activity occurs under co-decision (consultation) when the pivotal member states and the European Parliament (Commission) are closer to each other. They also observe more activity under qualified majority voting (QMV) in the Council than under unanimity.

proposals put forward by the Commission. It could also lead to gridlock (no policy decision) if the EP would not agree with a qualified majority in the Council (Crombez et al., 2012).

Several chapters in this volume discuss the effective impact of the EP in detail. For example, Roederer-Rynning (ch. 13) and Knops & Garrone (ch. 16) analyse the EP internal dynamics; Fertő & Kovacs (ch. 15) and Olper & Pacca (ch. 14) analyse the importance of the amendments introduced by the EP in the decision-making process, while Knops & Swinnen (2014) discuss the overall impact of the co-decision procedure on the CAP outcome. I refer the reader to these studies for details. Here I limit myself to summarise a few conclusions from these analyses.

First, given the importance of the 'political preferences', it is crucial who was involved in the main debates and decisions inside the EP. Interestingly, the predicted impact of a broader EP interest in CAP issues and on the composition of COMAGRI did not emerge in reality. Greer & Hind (2012) suggested that co-decision could encourage reform by broadening the agricultural policy agenda and Roederer-Rynning (2003, 2010) predicted that the new rules could bring new people into the EP's COMAGRI, which would affect the power of vested interests and could make the CAP accountable to a wider constituency. As Roederer-Rynning (ch. 13) explains, it was expected that "ideological cleavages might become more salient as increased EP powers in this area compelled the chamber as a whole and EP political groups to compete over a broad range of decisions, ranging from COMAGRI assignments to report allocation, through the institutional parameters of intra-institutional (between COMAGRI and other EP fora) and inter-institutional (between EP and other EU institutions) cooperation".

However, this effect seems not to have occurred in reality. Roederer-Rynning (ch. 13) concludes from her analysis of COMAGRI compositions that the COMAGRI in 2010-2014 legislature also had close connections to the farming world: "Its centre of gravity lay, politically, around centre-to-right farmer-friendly parties, and, geographically, around a group of countries traditionally favouring an interventionist interpretation of the CAP."

Second, regarding the nature of the EP influence, most authors (including those personally involved) confirm the differences in preferences between the Commission and the EP. Appendix 1 summarises the positions of the Commission, the EP and the Council on specific issues (see also Fertő & Kovacs, ch. 15). For example, Bureau & Mahé (ch. 3) and Hart (ch. 10) argue that the EP (and the Council) have been a greater constraint on reforms than the Commission ("however prudent" the Commissioner already was). However, the evaluation of 'status-quo' versus 'reform' preferences depends strongly on the terminology used – as I already discussed in the first section on what 'reform' means. For example, there is a consensus (also confirmed by various authors in this book) that the preferences of the EP were closer to the status-quo in terms of environmental requirements (greening) than the Commission, but wanted to go further than the Commission in terms of (re-) introducing market regulations.

Third, it should be emphasised that not just the EP but also the Council had different preferences than the Commission, and that on several issues the EP and the Council found common ground to change the Commission proposals (see the chapters by Bureau & Mahé, Hart, and Fertő & Kovacs, and Appendix 1)

Fourth, Fertő & Kovacs show that the EP (often in coalition with the Council) had a significant influence on the final outcome. It played a pivotal role in the negotiations and managed to get almost half of its negotiating mandate into the final texts.

Fifth, several participants in the negotiations also emphasise that while co-decision obviously increased the EP's power, the institutional details of the new decision-making process with the final trilogue negotiations where no longer were all member states present, also significantly affected the Council's strategy in the negotiations. With the Council now being 'represented', much of the member states' lobbying occurred in a somewhat different, and more 'chaotic' way, than in the past, where member states themselves were part of the final decision-making.

Sixth, co-decision did not apply equally to all issues. De Castro & Di Mambro (ch. 5) in particular stress the reduced influence of the EP on the MFF. They suggest that this may have been a factor in the reduction in the CAP budget, although it is somewhat hard to imagine how a larger CAP budget could have resulted. Matthews (ch. 7) explains how farm groups were 'surprised and delighted' with the original Commission proposal to keep the CAP budget in nominal terms.

As explained above, there were also other effects of the MFF on the CAP decision through the so-called 'negotiation box' or 'MFF-related issues'. The Irish Presidency gave privileged status to the conclusions by the Heads of States and Governments (the European Council) on these issues, arguing that they were non-negotiable. Although the EP eventually gained some concessions, its role as co-legislator was certainly diminished on these issues (Matthews, ch. 7).

Seventh, regarding the potential for 'gridlock', Knops & Marrone (ch. 16) suggest that the most obvious answer is that, ultimately, "co-decision worked"; an agreement was reached and a new CAP entered into force. The findings of Knops & Swinnen (2014) also reveal a relatively high 'mark' given by institutional actors and observers of the 2013 CAP reform to describe the EP's performance to come to an agreement. In the words of De Castro & Di Mambro (ch. 5) it is expressed as: "Done is better than perfect."

Finally, as discussed in Swinnen's (ch. 17) comparison with the 2003 CAP reforms, a "secrecy-based type of strategy" as Fischler used in 2002-2003 would have been much more difficult under the co-decision procedures where the involvement of the EP at various steps made full transparency of various proposals a requirement.

## 5. Eastern enlargement: Decision-making with 27 member states[10]

Eastern enlargement brought several new aspects to CAP decision-making: it significantly increased the number of decision-makers, it increased the heterogeneity of Europe and its agricultural and food systems, it introduced a set of different policy preferences into the political negotiations and it changed the relative political weights of all member states.

One of the obvious policy areas was the demand from the new member states (NMS) for a more equal distribution of direct payments across member states (the so-called 'external convergence' of payments). Existing differences in direct payments

[10] Croatia became the 28th EU member state on 1 July 2013.

(DPs) could be partly justified by differences in incomes and (historical) productivity (as they had been during the accession negotiations) but were obviously also due to the fact that the NMS were not at the table when the key budgetary and DP decisions were made in 2002 and 2003. Clearly, now that the NMS were part of the EU and part of the CAP decision-making process where the future DPs were to be decided, the demand for external DP convergence was a key demand. However, an intriguing issue is how it seems to have played less of a role in the debates than one would have expected.

There are several hypotheses to explain this (Swinnen, ch. 17). The first is that the old member states (OMS) realised that the distribution of 2003 was unfair for the NMS and indefensible, and it was more of an issue of "how much" than "if". The second argument is that with the pressure to reduce the overall reduction of the DPs, several of the NMS were more focused on lobbying for the maintenance of the overall DP budget. Several NMS would be close to a new EU average under a reduced DP budget and were more worried that they would actually experience a reduction in their DPs because of the overall budget cut, rather than a gain from redistribution. The countries that were most disadvantaged in DPs were the Baltic states – and they lobbied intensely for a redistribution. The ultimate reallocation benefited them most.

Another argument is that several NMS governments were under pressure from their farm lobbies to fight against capping. This applied in particular to those with a large share of (very) large farms, such as Slovakia and the Czech Republic. Hence, these governments spent their political capital more on lobbying for maintaining the amount of DPs and for avoiding capping (see e.g. ch. 11 by Sahrbacher et al. and Sahrbacher et al. (2014)).

A fourth argument is that, while the NMS were receiving relatively lower DPs under the agricultural policy, if one compared the DP share to their share in gross value added (GVA) in agriculture, the gap had reduced significantly and the share of DPs in GVA for the NMS was close to that in the OMS. Moreover, NMS were increasingly benefiting from large EU transfers under the CAP Pillar II and structural and cohesion fund (SCF) support. Hence, from an overall budgetary support perspective, their position was quite different than when considering the DPs alone. Total EU support under the CAP and SCF was equivalent to around 0.6% of GDP in the OMS, but had risen from 1.7% in 2008 to 4% in 2013 in the NMS (see Figure 2 in Swinnen, ch. 17).

Hence, obviously, all these elements of the EU support were taken into account when discussing the political priorities, and when trade-offs needed to be made in the final political negotiations. At the end, countries such as Bulgaria, Estonia, Latvia, Lithuania and Romania saw their national DP ceilings increase significantly, while the other NMS either had no significant change or a small decline (see also Anania & Pupo D'Andrea, ch. 2).

## 6. Flexibility

One of the areas where there is consensus among all authors is the significantly increased flexibility at the member-state level on the implementation of the CAP. While the 2003 Fischler reforms gave the EU-15 member states the possibility to decide how to implement the SPS (using a national or regional model, and a flat, historical or hybrid approach) and on some implementation issues of partially decoupled support, the new CAP provides an "unprecedented amount of national flexibility for MS" as Matthews (ch. 19) states it.[11] More specifically, as Anania & Pupo d'Andrea explain, the 2013 decision "allowed member states to decide which of the voluntary direct payments to activate, the distribution of the overall amount of financial resources across the different direct payments (with the exception of those to be devoted to the 'green' payment), the criteria to be satisfied for a farm to have access to them, important elements of the implementation of the 'green' payment, the extent and the modalities of the redistribution of support between the farms within the country (as a result of their decisions regarding 'internal convergence', 'degressivity and capping' and the redistributive payment), and the distribution between the two pillars of the overall financial resources allocated to the country", which leads to "significantly different agricultural policies at the national level."

[11] In some countries the decision is shifted to the regions: in the United Kingdom independent decisions were taken in England, Wales, Northern Ireland and Scotland; similarly, in Belgium, separate decisions were taken by Flanders and Wallonia.

This 'flexibility' contributed to important uncertainties at the end of the EU-level negotiations about the actual outcome of the decision-making. Key issues in the flexibility were the amount of recoupling which will result (as a result of the provisions on voluntary recoupling at the MS level); how much 'greening' will result (as a result of the provisions on environmental conditionalities at the MS level); and how much shifting between Pillar I and Pillar II would take place. Many authors point at these complexities, and the fact that the flexibility has major implications for assessing the outcome of the CAP decisions.

Conceptually a potential benefit of flexibility is that it allows the implementation of general rules to be better adapted to an increasingly heterogeneous EU agriculture, a heterogeneity that has increased by Eastern enlargement (Buckwell, ch. 20). Bureau & Mahé (ch. 3) agree that, from a fiscal federalism perspective, this could (in principle) allow a better application of general principles to local needs and conditions. However, the disadvantage, which is often emphasised, is that it allows member states to make choices that undermine (or water down) the general principle of the regulations. This concern is raised on the one hand, particularly in relation to greening and decoupling, by those who are concerned about the growth of re-coupling and the minimal impact of greening requirements. Conversely, farmers are worried about the uneven playing field and that their administration may be 'gold-plating' the regulations by imposing higher standards on them than on their competitors.

In general, the judgment on whether flexibility is good or bad seems to depend on what people think member states will do with it; in other words whether they trust or distrust the national decision-makers to choose the type of implementation that they prefer. A more general concern is whether increased flexibility and national or regional policy fragmentation may undermine the single market.

In Chapter 2 Anania & Pupo d'Andrea (see their Table 4) and in Chapter 11 Sahrbacher et al. (ch. 11) try to make a first assessment of the member states' choices on flexibility in financial allocations and on capping and degressivity, respectively. Both find significant heterogeneity in how the new CAP will be implemented in the member states by 2019. They conclude that some countries have used the flexibility fully in order to regionalise payment levels, transfer funds between pillars, couple support to production, and impose capping, while other member states have not.

A key question is why the decision was taken to provide so much flexibility in the CAP implementation. There are several interpretations/explanations. The first is that with significant diversity in the nature of the agricultural and land systems in the EU, which increased even further with the eastern and central European enlargement, there is a need for flexibility in the implementation of the policies. The 2014-2020 CAP addresses this by allowing "tailor-made alterations" to make the CAP better fit the characteristics of the different agricultural systems (Anania & Pupo d'Andrea, ch. 2; Buckwell, ch. 20). A second interpretation is that the increased complexity of the decision-making process, both in terms of the number of member states involved (27 compared to 15 during the 2003 reform decision) and the participation of more institutions (in particular the EP), required these flexible elements to come to a political agreement (Haniotis, ch. 4).

Both explanations need not be exclusive or conflicting. It is well known from the political science literature that decision-making with more and more heterogeneous partners may lead to the failure of decision-makers to come to an agreement (see e.g. Crombez & Hix, 2014), which led Crombez et al. (2013) to suggest that gridlock in CAP decisions could become a real possibility in the new circumstances (i.e. with 27 countries and EP co-decision). Hence flexibility may have been a rational choice made by the decision-makers to reach an agreement. This conclusion is consistent with the findings of Olper & Pacca (ch. 14) who find that voting by members of the EP (MEPs) on the CAP amendments is more likely to be along preferences of member state than along party lines.

If so, this may have important implications for future CAP decision-making and reforms. Flexibility may become a permanent part of the CAP, caused by the need to come to political decisions in an increasingly heterogeneous EU. However, if the complexity and unfamiliarity with the new decision-procedures was a key factor, experience with the co-decision process may reduce the need for flexibility in the implementation.

# 7. Agricultural and food price changes and the CAP

Several chapters (including by Haniotis (ch. 4), and De Castro & Di Mambo (ch. 5)) emphasise the role that the food price increases played in the debate. It is well known in the political economy literature that changes in commodity prices and market revenues influence agricultural and food policies (Anderson et al., 2013; Swinnen, 1994). Such economic changes alter the political incentives for interest groups and for political decision-makers. More specifically, agricultural and food policies shift as prices move since the incentives to lobby governments, and the incentives for governments to respond, change when economic conditions change. In other words, when prices increase, producers turn to the market to increase their incomes and when prices fall, producers turn to governments to assist them, and vice versa for consumers. This has been documented in many countries and historical periods (e.g. Olper, 1998; Swinnen, 2009), and the recent period of price spikes was no exception: in many countries of the world, the food price changes triggered policy reactions with food exporters imposing export taxes or outright bans (Anderson & Martin, 2010; Pieters & Swinnen, 2014).

The changes in food prices have affected various interest groups in the EU, including producers and consumers, and this has resulted in policy reactions through the political process. While there were significant differences between commodities (e.g. dairy and livestock farmers suffered from higher feed prices), average farm incomes in 2011-2012 were 20-30% higher compared to 2008-2009 (Swinnen, ch. 17). Several authors argue that the food price changes influenced the political equilibrium on the CAP decision-making on different aspects: the budget; the environmental conditions on farm support, i.e. greening, and the nature of the farm support, i.e. market regulation or decoupled payments. These issues are obviously interrelated to some extent.

In terms of the budget, theoretical arguments and empirical evidence suggest that there would be a shift towards less support for farmers as prices for their products and their market incomes increase. While this is consistent with the reduction in the CAP budget, the reduction in the budget is relatively limited. One reason for this, as already explained above, is most likely the link with the proposed greening reforms that still existed (albeit in a limited form) going into the MFF negotiations. Another reason is probably the fact that, while average farm incomes increased, some farm groups (in particular dairy and livestock farmers) suffered from the increase in grain and feed prices. Their incomes fell significantly over the 2007-2012 period. CAP support was argued to be an important safety net for those sectors with declining incomes.

The impact on environmental regulations is a combination of several partial effects (Swinnen, ch. 17). The first effect is that as farmers earn more for their production with higher prices the impact of increased regulations on their welfare is smaller and therefore they may reduce their opposition to increased regulations. However, this partial effect is more than offset by two other effects. One is that with increasing prices for their products, farmers have more to lose from regulations that restrict their supply. This will induce them to oppose such regulations more strongly. The third effect is that the argument of environmental regulations as threatening food security through restrictions on the supply of agricultural production becomes more credible and creates a coalition of producers and food consumers, already hurt by high prices. In this way the food price increases contributed to the weakening of the greening requirements.

## 8. A return to market interventions?

Food price shocks also affected the debate on market regulations. There was significant pressure to re-introduce market regulations, in particular with increased price volatility. For example, COPA-COGECA (2011), the coalition of the main EU farmers' organisations, argued that, despite high prices, farmers are losers because of volatility, high input prices and "food chain imbalances". They and other interest groups asked for a return to interventionism, moving away from the long-term liberalisation strategy for the CAP – an argument that found support in the EP (see De Castro & Di Mambro, ch. 5). In contrast, the European Commission used price volatility as a motivation for the long-run market-oriented strategy in the CAP reform proposals, in particular to maintain the decoupled CAP payments as a safety net to protect farmers against price volatility. These different perspectives on what was the best policy strategy were visible at various moments (e.g. during the discussions on the sugar quota and on the document "A Better Functioning Food Supply Chain in Europe", regarding relationships between the CAP and competition policy rules – see Swinnen, ch. 17).

By the end of the legislative process, the Commission proposals in this area had been significantly amended but nonetheless substantially adopted (Matthews, 2014). Anania & Pupo d'Andrea (ch. 4) conclude that an evaluation of the CAP from the perspective of a further market orientation shows mixed results: the elimination of the sugar and milk quota was confirmed, but on the other hand the liberalisation of vine planting was reversed, there was an increased amount of coupled support, and competition laws had been waived to allow some producer actions to constrain supply. Bureau & Mahé (ch. 3) conclude: "The Commission managed to resist most of the bad ideas floating around … some of which could have been particularly damaging, in particular regarding market management and price support." Swinbank (ch. 8) concludes: "What is perhaps more surprising – given that the [WTO] Doha agreement has not yet locked-in past CAP reforms -- is that the EU did not significantly reverse its policy decisions of the last decades."

While the WTO was not (or not often) mentioned in this debate, one could hypothesise that the WTO played an important role in the background. Alan Swinbank (ch. 8) documents that in the Commission's 2010 Communication "The CAP towards 2020", in the EP's response to that document, and in the Commission's 2011 Impact Assessment, which accompanied the 2011 CAP proposals, WTO constraints and green box compatibility were raised at several places to motivate certain proposals (see Swinbank, ch. 8 for details).

In summary, during the price spikes, the EU has a) mostly reaffirmed the engagement of the EU towards an open trade policy – also by underlining the harm done by the restrictive export policies implemented by some countries in response to price volatility - and b) stayed mostly on course with its reform proposals in specific sectors such as dairy and sugar (phasing out the quota regime), despite a slight change in argumentation, i.e. by also linking the motivation to price volatility. That said, there is a significant amount of recoupling allowed, which is to be determined at the member-state level (member states' choice of decoupling vary between 0% and 21% -- see Table 4 of Anania & Pupo D'Andrea). Moreover, not all sectors stayed on course to liberalisation. A return to regulation is obvious in the EU's wine policy, where the 2008 decision to liberalise the vineyard planting rights system was overturned and a new set of regulations on planting rights introduced before the liberalisation was implemented (Deconinck & Swinnen, 2013; Meloni & Swinnen, 2015).[12]

## 9. A perfect storm in the economy but an imperfect storm in the politics of the CAP

In 2000-03, institutional, economic and political factors came together to create a 'perfect storm', which resulted in the radical Mid-Term Review or 'Fischler reforms' (Swinnen, 2008). The factors included the institutional introduction of qualified majority voting, large external changes that moved policy preferences in a pro-reform direction and a pro-reform agenda-setter, the European Commission (Cunha & Swinbank, 2011).[13] In addition, key internal changes in the EU and its institutions had given the chance for reform a boost and the Commission itself was strongly in favour of significant reforms.

The 2008-13 period was characterised by something like a perfect storm in international markets and the economy. From 2008 onwards, prices of agricultural and energy commodities peaked, followed soon thereafter by financial and economic turmoil, which created major upheavals in commodity markets, government budgets and the world's economies, also inside the EU. However, this did not translate into reinforced pressures for reforms. While these economic developments had a significant impact on the CAP debate, they did not necessarily reinforce the existing pressures;

[12] There is a 'return to regulation' in terms of policy decisions, but less for farmers or consumers since the decision to liberalise was not yet implemented before the reversal of the decision was made.

[13] See Pokrivcak et al. (2006) for the conditions for a 'pro-reform bias' in the EU under qualified majority voting.

sometimes the opposite happened. In addition, a series of institutional changes politically mitigated the pressures.

As explained earlier in this chapter, decision-makers faced several pressures and constraints. Those included pressure to reduce the budget for farm payments because of fiscal pressures and the need to fund other EU policies, and high agricultural prices; a demand from NMS (and particularly the Baltics, where payments were lowest) for more equal distribution of direct payments; pressure for a return to market intervention and regulation in response to increased agricultural price volatility; 'productionist' arguments not to impose (environmental) constraints on agricultural production with high food prices; and (future) WTO agreements that constrained market interventions.[14]

Overall these pressures and constraints were a complex mixture – not unlike the situation in the early 2000s (Swinnen, 2001, 2008b), albeit with different ingredients. However, the 2003 set of complex pressures turned into a significant reform path, with a clear strategic vision on the part of the agenda-setters of where to go, a well thought-out tactic of how to get there and an institutional process that was conducive to such outcome. This was different in the 2009-2013 CAP discussions. While, like in 2002-03, an attempt was made to create a coalition between keeping payments for farmers (farm organisations) in exchange for better targeting (economists) and more environmental benefits (ecologists), the attempt was not successful. While there is a reduction in real terms, the budget for the CAP was largely saved, but without significant new greening requirements. As explained above, the environmental requirements are generally assessed as minimal.

There were probably several reasons for the failure: a less committed and less strategic Commission, the reduced influence of the Commission with co-decision and better preparation and lobbying strategies by those who opposed further reforms. The opposition by farm organisations received extra ammunition as commodity price increases gave strength to the 'productionist' argument that the food supply should not be constrained by extra regulations – an argument that found much support in the Council

[14] See Josling (ch. 18) for an explanation of why the ongoing TTIP negotiations had little impact on the CAP.

and the EP's COMAGRI and that had a decisive impact on the final decision.

Regarding market regulations, the increased price volatility induced demands for more regulation, including the maintenance of supply controls in dairy and sugar. However, DG-AGRI and the Commission motivated their support for DPs as a safety net approach – an insurance against volatility, and one in line with the decades-long strategy towards liberalisation – consistent with the WTO constraints and possible future accords. Here, despite some re-coupling, the status quo was seen as a possible achievement by those favouring the CAP's market orientation.

Eastern enlargement enhanced the influence of the NMS and led to a reduction of the gap in direct payments per hectare, particularly in the Baltics (where DPs were the lowest). However, the redistribution was limited because the NMS already benefited strongly from various other transfers such as Pillar II payments and structural and cohesion funds – in particular in relation to their contribution to value added and GDP.

There were some changes in other CAP elements. Importantly, the new CAP offers considerably more flexibility for member states in the implementation of several regulations, including that related to coupling of direct payments, greening conditions, the allocation of funds between Pillar I and II and in capping and degressivity.

In summary, the 2013 CAP decision included a budget cut, some realignment of DPs from west to east, increased flexibility in the implementation of the policies and the allocation of funds, and relatively minor changes in environmental and market regulations. However, the overall assessment is closer to a status-quo evaluation than a significant reform. The different pressures and institutional changes had partially offset instead of reinforced each other. In other words, the perfect storm in international markets resulted in an 'imperfect storm' in the political economy of the CAP, and relatively small changes in the CAP.

## 10. The next CAP reform

Several chapters in this volume already address the next CAP changes. Allan Buckwell (ch. 20) argues that "it isn't too early to start thinking about the next reform", despite the fact that the full implementation of the new CAP only commenced in 2015 and runs until the end of 2020 and new Rural Development Programmes may not commence until well into 2016. Also Potočnik (ch. 6), Erjavec et al. (ch. 9), Matthews (ch. 19) and Moehler (ch. 21) already discuss the next CAP reform negotiations. They mention several reasons why they may start earlier rather than later: a) with co-decision it takes a long time to prepare and negotiate; b) a genuine reform requires a broad, shared understanding of the purpose and direction of a new policy; c) implementation problems with the new CAP will ask for adjustments of the rules which cannot wait until 2020; d) the new CAP does not address the challenges that the EU faces; and e) the mid-term review of the multiannual financial framework during 2016 and the mandated reviews of ecological focus areas, the fruit and vegetable regime and geographical indications will raise questions central to the CAP in the next few years.

The arguments put forward by e.g. Buckwell, Erjavec, Moehler, Matthews and Potočnik on how the next reforms of the CAP should look like are similar to the ones that were voiced in the 2009-2013 discussions. In fact, the ideas for the future CAP that they put forward are remarkably similar to those on the table in the past reform discussions. In a way one could argue that they want to start the next CAP reforms to address all the issues that they feel the 2013 decision failed to address and to solve.

From a political economy perspective, however, this of course raises the question why should these arguments be more influential in the coming years than they were in the past. It is obvious to most observers that climate change, sustainability, biodiversity, etc. are crucial issues and that the CAP has an important role to play. But the question is: Why would public goods like climate change, biodiversity and sustainability be more relevant/important in 2017 than they were (or should have been) in 2013?

The contributors to this volume offer some reasons why things may be different in the coming years. One factor is that there is a different Commission. Not only has Mr Cioloş been replaced by Mr Hogan as Agriculture and Rural Development Commissioner, but there is a new overall Commission charged with pursing a new vision. One illustration of this is that Commission President Jean-

Claude Juncker gave a mandate to Hogan[15] to simplify the CAP, although this is easier said than done. Moehler (ch. 21) notes that simplification was already the objective *of* Cioloş, and the CAP has definitely not become simpler (Haniotis, ch. 4). Matthews also quotes Hogan: "Simplification is anything but simple." That said, Hogan has already raised the possibility of a mid-term review (Matthews, ch. 19), although the need for this has been rejected by some member states and by the farm organisations.

Another factor may be what happens in global agricultural markets, an issue that is difficult to predict. Prices are much lower in 2015 than during the peaks in 2008 and 2010, but it is hard to predict where they will be in the coming years. At the broader international level, there are geopolitical threats in particular in North Africa, the Middle East and Ukraine. Also here it is unclear how they will evolve and what they will imply for the CAP.

It seems important to take the political economy constraints seriously. One illustration of this is that those who have different perspectives and policy preferences from the authors listed above may also see the next CAP debate as an opportunity to "correct some imperfections". It is quite clear from the contributions in this volume that while many expect a mid-term review to happen in the coming years, not everybody agrees what direction it should take. It is intriguing to see the differences in perspective by e.g. Buckwell, Matthews and Potočnik on the one hand – who see it as a chance to move forward in the "public money for public goods" perspective – and that of De Castro & Di Mambro (ch. 5), on the other, who argue that the "reform designed in 2011 and amended in 2013 needs further adjustments to be considered a valid attempt to meet the challenges posed by the changes occurring in agricultural and food sector at European and global level". Their analysis suggests that these further adjustments would be to have more supply management and regulation of markets. Moehler (ch. 21) anticipates these different perspectives and concludes: "There is no apparent need for a mid-term review. Launching such review could be counterproductive if the movement is seized by those who push for a less market oriented CAP."

[15] European Commission (2014).

Moehler (ch. 21) concludes that there is no obvious need for a mid-term review of the 2014-2020 CAP, but the Commission has to submit its ideas on a post-2020 CAP when making its proposal on the MFF 2021-27 in 2017. He argues that “to win over public opinion again, further greening of the CAP will be crucial” – an argument that sounds very familiar.

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# Part I

# The CAP for 2014-2020