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# The 2003 Reform of the Common Agricultural Policy: Against all Odds or Rational Explanations?

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**ABSTRACT** This article analyses the 2003 reform of the EU Common Agricultural Policy. On the basis of rational choice theory, it addresses two basic questions: first, which processes led to the 2003 CAP reform? And second, how can the actual content of the reform — with, for example, increased bureaucratisation and more diffuse implementation — be accounted for? The article concludes that it is possible to rationally answer the two questions and that the external pressure resulting from the impending WTO negotiations represented a necessary, if insufficient, condition for reform. In order to arrive at an adequate explanation, an account of the policy entrepreneurship on the part of Commissioner Franz Fischler must also be given.

**KEY WORDS:** Agricultural reform, CAP, government failures, political asymmetry

## Introduction

The EU Common Agricultural Policy (CAP) has been criticised extensively for many years. It has been disparaged for being too costly for consumers and an excessively heavy burden on taxpayers. The CAP has also been criticised for impeding imports from developing countries and simultaneously undermining sustainable Third World agricultural production because of export dumping. Additionally, the CAP has been criticised for representing one of the main obstacles to worldwide free trade and, in general, for having a very detrimental influence on international relations. Finally, the CAP has also

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been criticised for harming the physical environment in the EU member states.

Hence, from this perspective, CAP reform is in demand. Explaining why most of the ‘demanded’ CAP reforms have not taken place and, therefore, why other reforms — ultimately — *have* taken place has been of scholarly interest to economists and political scientists. The object of analysis in this article is the 2003 CAP reform. It attempts to answer two basic questions: first, which processes led to reform? And second, how can the actual content of the reform be accounted for? These two questions should be seen as two sides of the same coin: the processes leading to reform are the same processes that account for the specific content of the reform.

Neither of these questions was adequately answered in a coherent theory in the literature that emerged in the wake of the 1992 reform (e.g., Coleman & Tangermann 1999; Daugbjerg, 1999; Moyer & Josling 2002; Paarlberg 1997; Meunier 2000; Patterson 1997; Keeler 1996; Lynggaard 2005). Traditionally, political scientists have focused on explaining why this reform came about, often carrying out a multilevel analysis as part of the explanatory framework, whereas economists have focused on explaining the irrationalities of the reform.<sup>1</sup> By answering the two questions above, these two traditions are combined. At the same time, it will be argued that a coherent theory is needed that is based on the common characteristics of the actors involved and the political system wherein the actors do their job. A number of conditions derived from the theory will also be put forward, which must be fulfilled if the theory is to pass an ‘argumentative test’ based on a selection of the empirical material concerning the 2003 reform.

It will be argued that both of these questions can be answered using rational choice theory. At the same time, this also serves as a critical test of the theory as it is normally used when explaining why policy changes *do not* happen. The basic tenet of rational choice theory is that, overwhelmingly, individuals all behave rationally most of the time and that this simple behavioural assumption should be made for the behaviour of individuals in the economic system of the market forces, as well as in the political system of the political ‘market forces’. The simple reason for making this assumption is that people can be expected to behave exactly the same way in both systems.

As a consequence of the aforementioned behavioural assumption, however, the political system — in contrast to the economic system — becomes asymmetrical when the advantages that people may obtain are concentrated and private in character, e.g., in public pensions, kindergartens, and agricultural subsidies and protectionism, whereas the financing is, by nature, public and, therefore, spread among all taxpayers. The asymmetrical political system is a core concept in rational choice theory and the independent variable in explanations based on this theory. This asymmetry is found in both the national political systems of the EU member states and at the EU level. It will even be argued that the political system is even more asymmetrical at the EU level.

As a result of the asymmetries in the political system, a range of hypotheses will be derived regarding the conditions necessary to facilitate CAP reform.

Anticipating the conclusions from the discussion in the section on ‘CAP, institutions and political asymmetry’, the hypotheses derived from rational choice theory regarding the conditions for CAP reform are:

1. External pressure is required due to the political asymmetries in the political system;
2. The relevant commissioner must be willing to play the role of a policy entrepreneur;
3. This policy entrepreneurship involves both the encapsulation of the decision-making process from organised interests and the strategic involvement of the member states.

As pointed out by other authors (e.g., Daugbjerg 1999: 410), rational choice theory assumes that actors are rational and self-serving, deducting preferences from this assumption in order to explain and predict. Other theories will contextualise preference-formation in other ways, i.e., by examining the structural embeddedness of actors or by introducing ideational or discursive factors into the explanation. Two examples of such explanations of CAP development will be presented. First, Daugbjerg (1999) argues that the structure of policy networks in the CAP and the broader EU institutional structure have led policy makers in the direction of moderate reforms. Second, Lynggaard (2005) argues that institutional change in the CAP has been preconditioned by the discursive existence of alternative ideals, the dynamic inherent in translation processes, conflicts of opinion, and policy entrepreneurship.

Generally, both of these political science perspectives explain why the 2003 reform came about, as does the theoretical framework advanced in this article; however, they do not explain the overall content of the reform. At the same time, it will be argued that rational choice theory not only covers both what led to reform and the content of the reform, but also provides the best explanations in the simplest ways (cf. the principle of Ockham’s razor). Ideational and network explanations complicate matters unnecessarily and there is no additional explanatory power gained from doing so.<sup>2</sup> The reason is that these two explanations do not have an explicit theory about the political system they are analysing.

### **The Political Economy of the CAP**

As argued above, in order to answer why the politicians decided to reform the CAP, including how and when they decided to reform it in the manner they did, there must be a theory about what determines political decisions.

Normally, politicians decide on a political issue according to their expectations of voter reaction. Voters, on the other hand, must consider costs in terms of time and money when forming their preferences and transmitting them to politicians. If the voter is even minimally rational, a minimum of benefits for him or her is necessary, if he or she should accept the cost of collecting information and transmitting preferences to political decision-makers (Nello 1984). However, merely attaining information about the

impact and extent of public support for agriculture is difficult and costly, as the support is very often either given by inflating consumer prices or by complicated bureaucratic measures, and thus obscured in both cases.

In the theory of rational choice — where the ‘political market’ is used as a metaphor — it is assumed that politicians ‘supply’ political decisions in order to get re-elected. Especially in relation to agricultural policy decisions, support from agricultural organisations is often more important than indicated by the actual number of votes in the agricultural sector. This is due to the fact that supporting agriculture gives politicians a base for attracting non-agricultural votes from rural areas as well as from agricultural supply industries (such as farm machinery, seeds and veterinary medicine). Moreover, agricultural organisations generally have a high political profile on the grounds that an important part of farmers’ income stems from political rent-seeking. This means that the basic condition for the survival of farmers and farming organisations is to be found in the creation of public awareness. Politicians with positive attitudes towards agricultural interests will benefit from this (Nedergaard 2006a; Keeler 1996; Nello 1984; Ballisacan & Roumasset 1987).

Alongside politicians, bureaucrats are important purveyors of agricultural decisions. In rational choice theory it is assumed — even though politicians formally make the political decisions under the counsel of the administration — that bureaucrats are also independent actors who maximise their own utility by preserving or expanding their power base, budgets and career opportunities. In the agricultural area, bureaucrats probably have considerable influence because the area is characterised by an array of technicalities and specific rules.

Bureaucrats must be expected to be even more in favour of continuing and further developing agricultural protectionism than agro-politicians on the grounds that they would gain fewer benefits from granting consideration to general national or European economic and political interests. Bureaucrats can normally only be expected to abandon the agricultural protectionist line if the present agricultural policy directly weakens their relationships with other parts of the administration. For example, the Commission’s Directorate-General for Agriculture has been pressing for moderate CAP reform for years because the former line was creating an increasing number of conflicts with its surroundings within the Commission and with external actors outside of the Commission. The agricultural policy has been particularly damaging for the international relations of the Commission, its reputation in general, and especially its ability to act in an efficient manner under the international trade negotiations in the General Agreement on Trade and Tariffs (GATT) and the World Trade Organisation (WTO), where the Commission acts as an agent on behalf of the EU member states (Meunier 2000; Keeler 1996). Additionally, bureaucrats in the agricultural ministries of the member states are only supposed to be in favour of CAP reform when they are put under pressure from bureaucrats in other ministries.

One of the original CAP objectives was to improve farmer incomes which generally were — and remain — below average relative to many other economic sectors. EU farmers have traditionally been supported through

price support measures, even though all theory and experience indicate that such support is not an optimal instrument for meeting income objectives. This is especially true of small production farmers.

The political asymmetry of the CAP also has a general welfare economic impact on the member state economies and the total EU economy. There is broad consensus in economic literature regarding the theoretical framework for analysing the economic impact of agricultural policies. This framework consists of a calculation of the welfare losses, the so-called 'deadweight losses'. The economic losses are divided between losses for consumers and taxpayers and economic gains for producers. The 'deadweight losses' are the extent to which the economic losses suffered by consumers and taxpayers exceed the economic gains achieved by producers.

On the basis of different estimates of the extent of the welfare losses shown, it can be concluded that the economic welfare losses of the CAP are considerable (OECD 2003). Until the beginning of the 1990s, taxpayers had suffered relatively smaller losses (compared to the consumers), only footing about a quarter of the bill (OECD 2004b, 49). Since the 1992 reform, however, taxpayers have gradually contributed relatively more to the CAP, while consumers have paid relatively less. In 2003, every EU inhabitant bore an annual burden of approximately 320 euros, with 51 per cent as a taxpayer and 49 per cent as a consumer (Wichern 2004, 23 & 55). In aggregate terms, approximately 56 billion euros have been transferred from consumers to producers each year in the period from 2001 to 2003, and approximately 60 billion euros have been transferred from taxpayers to producers (OECD 2004b, 49).

As a result of the 2003 CAP reform, there will be an even greater decrease in taxpayers' welfare (OECD 2004a, 43). In welfare economic terms, however, the 2003 reform will probably slightly improve the general welfare economy of the EU. This is due to the fact that direct payments and price support have different welfare effects. Price support increases the prices paid by consumers and producers when buying fodder for livestock. Direct payments affect producers and taxpayers, but not consumers. This is also why, for years, economists — the lesser of two evils — have recommended direct payments instead of price support. For the very reason that this recommendation has been on the table for so many years, it cannot explain why the 2003 CAP reform was adopted. The fact that political decision-makers ignore the overall economic impact of their political decisions is generally also what one should expect according to rational choice theory, because it will not have any impact on the re-election prospects for politicians or the situation of bureaucrats.<sup>3</sup>

For many years, the common financing of the CAP meant that each member state increased the repayments from the budget by encouraging their respective farmers to expand their agricultural production. At the same time, an important internal factor is supposed to press for limiting excessive costs of CAP for member states that are net contributors to the EU budget, e.g., the United Kingdom and Germany. However, the solution has been a budgetary rebate for the UK that can be interpreted as a political means to reduce

their criticism or potential criticism of the CAP budgetary costs. Germany also received a moderate budgetary rebate in the wake of the UK rebate.

This is also why the CAP has been compared with the well-known rational choice example in which a group of people visits a restaurant and agrees to share the bill without taking into account what and how much each participant will be eating (Nello 1984). This has been so much more the case as far as the CAP is concerned, because the Council of Ministers for Agriculture could make decisions while allowing the Finance Ministers to foot the bill. For many years, even the German agricultural minister was happy, in spite of the fact that his finance ministers had to pay three times the money he himself had 'collected' for German farmers in the Council of Ministers for Agriculture. However, it is interesting to note that this did not cause serious attempts to reform the CAP (Keeler 1996). The internal 'money machine' that the CAP had turned itself into did not produce the pressure necessary to motivate the EU decision-makers to reform the CAP and stop the accelerating costs of the policy.

As predicted in rational choice theory, the strength of political asymmetries in the decision-making process is more important than net budgetary effects in order to predict a member state's position *vis-à-vis* a CAP reform. This is evidenced by the fact that if there is a conflict between the net budgetary effect and strong interest organisations, the latter appears to gain the upper hand under normal circumstances. As indicated in the paragraph above, Germany is the clearest example of such a conflict.

As a significant exporter of industrial produce, Germany has a vital interest in liberal world trade and, by implication, in the success of the GATT and WTO trade rounds. For many years, however, this was not enough to put pressure on the German agricultural minister.

All in all, as predicted, the influence of farmers and the tribute paid by political decision-makers to farmers and the rural areas play a more important role for the individual member state's attitude towards a restructuring of the CAP than the member state's net economic benefits or losses resulting from the CAP in general. For example, one ought to expect that the modest position of German agriculture in the German economy and the relatively small contributions from the CAP would result in a positive German attitude towards thorough and purely market-oriented CAP reform. Naturally, specific historical circumstances probably did play a role; nevertheless, Germany's strange position in the Council of Ministers for Agriculture has largely worked against Germany's economic interests as a whole. However, such a purely economic prediction does not correspond to reality. In other words, the asymmetries outlined above are much more decisive in predicting policy positions than diffuse economic benefits for member states or the EU as a whole.

### **CAP, Institutions and Political Asymmetry**

It was argued above that, in the area of agricultural policy, the general asymmetry which — according to rational choice theory — is constantly



present in collective political decisions becomes heightened by the ‘suppliers’ who have independent reasons for reinforcing a complicated, protectionist ‘super asymmetric’ agricultural policy. However, a stronger reflection of individual preferences could be achieved by limiting the general asymmetry of political decisions and by limiting the strong asymmetry that is specific to agriculture. Rational choice theory generally recommends the establishment of institutions in order to place restraints on the utility-maximising actors, whether interest groups or member states. These institutions should be designed in order to bring about a larger degree of correlation between the particular and common interests. In the CAP, one way of doing so could be to strengthen the horizontal political element in the much ‘segmented’, technical and highly complex agricultural decision-making process. This can be brought about by allowing other politicians — rather than agro-politicians alone — to participate in the agricultural decision-making process.

It is plausible that this is what is happening; particularly as regards the European Council meetings, which have occasionally played the role of a moderate counterweight to the agricultural policy-making process in recent years, not least in cases of major reform initiatives with regard to the agricultural policy and the EU budget.

The European Council works across the sectional division lines of the EU. Consequently, it also appears to take better care of the overall EU interests than the Council of Ministers. This is also why the European Council has occasionally contributed to the weakening of the political asymmetry in the EU decision-making process. Decisions were made at the European Council meetings in Brussels (February 1988), Edinburgh (December 1992) and Berlin (March 1999) to tighten the budgetary procedures and keep agricultural expenditures within certain limits. Most notably, the European Council acted as the principal moderator at the Berlin summit in March 1999 by slightly reducing spending in relation to the original proposal from the Commission (EU Bulletin 3, 1999). The adjustments were not radical, as the European Council agreement only reduced spending by approximately 2.4 billion euros. However, this adjustment is notable, as the European Council did act as the primary moderator in this instance.

On the other hand, the European Council has only occasionally played the role in an effective manner in order to reduce the political asymmetry in the CAP political system. Due to the fact that France is a main CAP beneficiary — and due to the Franco-German axis, wherein France played the dominant part — the European Council has not consistently been efficient in reducing the political asymmetry as far as CAP is concerned.

The European Parliament represents another horizontal political element in the European decision-making process. Again, however, this institution would not appear to have generated a reduction in the political asymmetry due to the European Parliament with regard to the CAP. There are two main reasons for this: firstly, the direct influence of the European Parliament on the CAP is rather modest, as the Parliament is only consulted on CAP issues and, therefore, is merely able to provide political backing to the various CAP reform proposals.<sup>4</sup> Secondly, the European Parliament is a long way from

playing the role of an active counterweight to the specific sector interests at the European level. Until now, the Parliament has normally adopted a very positive stance concerning all kinds of European legislation and expenditures in order to increase its European power base.<sup>5</sup>

At the same time, Members of the European Parliament have no power to tax citizens and companies and are therefore never held accountable for increasing budgetary expenditures.

In the final analysis, it is the ministers of agriculture in the Council of Ministers that make the decisions concerning the CAP. The decision-making structure of this body is therefore important as an institutional constraint on member state behaviour. According to the Treaty, it is possible to make a decision about the CAP with a qualified majority (about two-thirds of the votes weighted by country size) in the Council of Ministers.<sup>6</sup>

Rational choice theorists have often argued in favour of veto voting (or at least voting with a qualified majority), claiming that this would be Pareto optimal.<sup>7</sup> However, it is a precondition that there is a well-functioning market for logrolling, whereby a legislator promises to vote for a project favoured by another legislator, expecting some equivalent act of support in return at a later date (e.g., Buchanan & Tullock 1962). This is not always the case in the EU, where the decision-making competence has been split between the individual Councils of Ministers. On the other hand, logrolling opportunities have increased in the EU as other areas of cooperation have gained weight.

An institutional explanation contributing to the 2003 agricultural reform is, undoubtedly, that increased integration and amended voting regulations have increased logrolling opportunities and package deals. Here, the European Council often functions as a market for logrolling, where specific interests are traded. Interests in upholding the status quo have hereby been weakened. Nevertheless, there is a lack of a strong opponent against the agricultural ministers in the agricultural decision-making process, an opponent that could otherwise pursue the financial interests of the EU, the consumers and the environment, even though a financial discipline mechanism now allows for payment levels to be reduced automatically if CAP expenditures exceed its budget ceilings (OECD 2004b). At the national level, these opponents are established in the form of the Finance Ministry, the Ministry of the Environment, and so on, in the government and national parliaments.

Last, but not least, the European Commission appears to play a role in order to place restraints on the utility-maximising actors in the EU. There is little doubt at the level of the Commission that it (together with the EU Court) is the institution most inclined to moderate the political asymmetry of the EU political system, especially because commissioners are appointed to serve the general European interests without having to care about voter reactions.<sup>8</sup> According to the Treaty, the Commission is responsible for pursuing the common interests of the EU. However, the fact that the commissioners are not elected is, at the same time, a fundamental weakness of the Commission; it lacks democratic legitimacy compared to the Council of Ministers. The authority of the Commission to serve the interests of the EU

as a whole therefore greatly depends on the general integration cycle, i.e., whether or not EU integration is looked upon positively by key decision-makers. When the European integration cycle is positive, the legitimacy of the Commission increases and, hence, the Commission is normally also able to serve the general interests of the EU more efficiently.

No matter what, the Commission plays a powerful role in the EU decision-making system because of its right and obligation to make proposals to the Council of Ministers. At the same time, if the Council of Ministers wants to amend a proposal from the Commission, these changes must be accepted by the Commission. Hence, the Commission — and the commissioner responsible for a specific area like the CAP — has some room for manoeuvre when playing the role of agent on behalf of its principals, i.e., the member states (Pollack 2003).

The Commission has also often put forward reform proposals concerning the CAP that have later been diluted by the Council of Ministers. The EU budgetary expenditures would thus have been lower if the Commission's proposals had been adopted unchanged. On the other hand, the European Parliament has normally asked for increasing expenditures in the same policy areas, except in a few instances in the 1980s (cf. endnote 5).

It is normally clear that, in the EU, the institutional political counterweights relative to agricultural interests are too weak to play a decisive role in the pressure for a fundamental regime change in the CAP. Reforms are rare, come late, and are often profoundly watered down. Hence, the EU political system could be characterised as a super asymmetrical political system. The political institutions — which can potentially knock some of the political asymmetries at the national level off balance — are generally too weak to initiate reforms at the European level. However, the Commission has certain characteristics enabling it to function in the interest of the EU as a whole as far as the CAP is concerned, even though its ability to function is often undermined by the Council of Ministers and/or the European Council. The capacity of the European Council to make decisions on CAP reform has often been damaged by the Franco-German axis (which, in practice, meant that Germany capitulated to French demands as far as the CAP is concerned for many years). At the same time, the European Parliament has limited influence on the CAP and can only be expected to contribute with more diffuse backing of reform proposals, especially when they do not reduce the overall level of support for farmers. Due to the fact that the EU is a 'super asymmetrical political system', external pressure of some kind is expected to be a precondition for CAP reform.

In short, based on the analysis above, three *ex ante* conditions that can punctuate the former equilibrium on the 'political market' and lead to a successful adoption of CAP reform can be derived from rational choice theory: first, due to the super asymmetrical political system of the EU, CAP reform requires external pressure. Second, the relevant commissioner must be willing to use his manoeuvring room in order to play the role of policy entrepreneur. Third, policy entrepreneurship involves both an encapsulation of part of the EU decision-making process from interference from the

characteristics of the CAP asymmetrical political system, i.e., from interest organisations and/or national politicians/bureaucrats and a willingness to strategically involve member states and interest organisations during the reform process, even though it may possibly cost future allies.

The next section provides an empirical ‘argumentative test’ of the theory in this article.

### **CAP Reform of 2003**

For several years prior to the 2003 reform, the Commission had been pressing for further CAP reform. As early as July 1997, the Commission proposed a reform of the CAP within the framework of Agenda 2000 (which was a kind of blueprint for future EU policy development), as it was faced by the expected EU enlargement. Negotiations on Agenda 2000 — and some elements of new CAP reform — were concluded at the Berlin European Council in March 1999. However, the Berlin summit only set the framework for future CAP reform initiatives, because, for the most part, it had to be filled out in following years by concrete reform proposals to be adopted by agricultural ministers taking into account the WTO negotiations, which began in March 2000, and by a number of regulations that the Commission could adopt alone.

In order to provide an overview, Table 1 contains a list of CAP reforms since 1984. It draws on Sabatier and Jenkins–Smith’s (1999) categorisation of policy reforms and on Daugbjerg (1999) as far as the main content of CAP reforms until 1999 is concerned.

The proposal for a CAP reform in Agenda 2000 was primarily a reform of technical aspects of the CAP contrary to the MacSharry Reform seven years earlier, which also changed the CAP policy instruments.

Besides adopting a CAP reform containing a number of technical changes, in the conclusions from the European Council meetings on 24 and 25 March 1999, in Berlin, the heads of state encouraged the Commission to put forward a report to the Council of Ministers in 2002 on the development of the CAP.<sup>9</sup> According to several sources, already in 2001, persons surrounding agricultural commissioner Franz Fischler began to plan more than just the ordinary Mid term Review of the CAP that the European Council had requested. Both external and internal circumstances explain why Fischler and others felt the need and opportunity to consider a new CAP reform only one year after the Agenda 2000 reform had laid down the foundation for adoption of the CAP until 2006.

In November 2000, Bovine Spongiform Encephalopathies (BSE, also known as ‘mad cow disease’) had spread within the EU, from the UK to the European continent, and no longer represented an isolated British problem. In a speech in 2001, Fischler argued that “food safety crises ... tend to generate in many citizens the conviction, that a disconnect exists between what EU agriculture supplies and what the citizens demand” (Fischler 2001). In the same speech, Fischler also mentioned the need for the CAP to become more economically, environmentally and socially sustainable. This

Table 1. Overview of CAP reforms since 1984

Year/name	Type of reform*	Main content of reform
1984 Milk quota reform	Technical changes	Reform of expenses. Introduction of quotas on milk production and control with production of cereals and wine. The idea of subsidising farmers and protecting them from market forces remained intact.
1988 Stabiliser reform	Technical changes	Follow-up on 1984 reform. Introduction of budget stabilisers and stricter budgetary discipline. Doubling of the structural policy funding. The idea of subsidising farmers and protecting them from market forces remained intact.
1992 MacSharry reform	Moderate policy changes	Reform of policy instruments. Primary policy instruments altered from price support to acreage payments. The idea of subsidising farmers and protecting them from market forces remained intact.
1999 Agenda 2000 reform	Technical changes	Further deepening of the 1992 reform with a reduction in price support and a range of measures to prepare CAP for the enlargement. The idea of subsidising farmers and protecting them from market forces remained intact.
2003 Mid term review/ Fischler reform	Moderate policy changes	Direct payments decoupled from production replace, to a certain extent, price support. Farmers must comply with certain standards for animal welfare, food quality and the environment. The idea of subsidising farmers and protecting them from market forces remained intact.

\*Sabatier & Jenkins-Smith (1999) distinguished between three levels of policy changes: 1) changes in the deep policy core, when a policy is revolutionized, 2) policy changes, when a policy is moderately changed, and 3) technical changes of a policy.

Sources: Sabatier and Jenkins-Smith (1999), Daugbjerg (1999) and the author.

led Fischler to enquire whether the CAP instruments were optimal for attaining the CAP objectives, whether the CAP had unintended distributive consequences, and what the budgetary consequences of the CAP were in the long run.

Fischler also had external pressure in mind. As mentioned above, the WTO negotiations were about to resume after the Seattle failure in 1999. Later, in Doha in 2001, it was decided that the negotiations ought to lead to further cuts in agricultural support as far as it had disruptive consequences for production and trade. Fischler therefore also asked whether the CAP was in line with the rules of the upcoming WTO agreement, i.e., how the CAP affected trade and how trade affected the political instruments of the CAP. As far as the external and internal factors, respectively, are concerned, the international trade negotiations are the varying factor placing pressure on CAP reform, whereas the internal factors have been around for several years and are relatively stable. This was also seen in the 1992 CAP reform, where

external pressure also played an important role (Nedergaard 1995, 141; Daugbjerg 1999, 208).

Fischler's speech can be interpreted as an attempt to gather a coalition of support for new CAP reform. Faced with a rational choice type of a super asymmetrical political system as far as the CAP is concerned, Fischler and the Commission needed a broad coalition behind the demand for new CAP reform. In building this coalition, he attempted to include a normally diverse group of actors in favour of better food safety, cuts in the agricultural budgets, less intensive farming, more free trade, and the improved access of developing countries to European markets. The member states, organisations and individuals supporting one or more of these goals shared in common the fact that they supported CAP reform. When the negotiations for the new plan for CAP reform began, it became apparent that the coalition for CAP reform could either not agree on the kind of reform they wanted or could not see all their dreams fulfilled in the final compromise. On the other hand, at that time, the initial coalition behind the demand for reform had served its purpose to legitimise the need to put forward a plan for CAP reform.

Ideas regarding a more thorough CAP reform spread during 2001 and in the beginning of 2002. On 17 April 2002, all the commissioners held an extraordinary meeting about a possible new CAP reform (Agra Facts No. 34, 2002). In his intervention, Franz Fischler explicitly dealt with the EU's external relations and the CAP, as the question of the developing countries had now become an important part of the legitimisation of CAP reform prior to 2006 (Agra Facts No. 34, 2002). Fischler explained that he was driving in the middle of the road between, on the one hand, for example, COPA ("no changes are needed before 2006"),<sup>10</sup> and, on the other hand, NGOs such as Oxfam, the highly active British organisation ("get rid of CAP now").<sup>11</sup>

Franz Fischler chose to present his plan for a new CAP reform to the European Parliament on 10 July 2002. This was probably a deliberate choice, as he expected the Parliament to become a future potential ally for his reform plans. In spite of the fact that the European Parliament has limited direct influence on CAP reforms, this institution is, after all, a horizontal institution which should, in principle, be aiming at that which is in the general interest of the EU. Fischler's speech was entitled 'Towards Sustainable Farming' (Fischler 2002), and the press release from the Commission the same day carried the subtitle 'Winning back the trust of consumers'. According to Commission officials and the agricultural interest organisations, Franz Fischler successfully kept the process very closed in the Commission in the weeks preceding the publication of his plan for CAP reform. Few officials were involved in preparing the new plans for CAP reform. The closed process was a deliberate attempt at avoiding bureaucratic politics in the form of interference from member states, organisations and even parts of Fischler's own general directorate prior to the publication of his plan. Based on the assumptions about the behaviour of interest organisations and bureaucrats in rational choice theory, interference from these two parties in the early phase of the reform process is to be expected.



Both the attempt to rally a broad coalition behind his reform plan and the closed process prior to publication can easily be interpreted as the sole means forward for Fischler and the Commission if they wanted to overcome the strong resistance towards CAP reform, which is expected to be an integral part of the asymmetrical EU political system in general and the CAP in particular.

Fischler's plan included the following elements:

- 1) Full decoupling of the direct support to the farmers, i.e., that there would no longer be any obligation to produce anything in order to get the direct paid premiums. This element was a rather radical break with the existing CAP structure;
- 2) 20 per cent of the support directed to the individual farmer should go to support for rural areas in general;
- 3) Price cuts for milk and grain;
- 4) Introduction of the principle of cross-compliance, i.e., that the support should be conditioned on an obligation to fulfil demands for better environmental protection, better animal welfare, certain food safety standards, etc.

As can be seen, his plan contained elements designed to satisfy most of the actors in the initial coalition behind CAP reform.

In his presentation to the European Parliament, Franz Fischler started arguing in favour of CAP reform with reference to the internal need for EU reform (Fischler 2002). Towards the end of his speech, however, he also referred to the fact that reform would also have two positive side effects: rendering enlargement easier, and strengthening the EU negotiation position in the upcoming Doha Round. Of course, this presentation was not a priority list indicating which factors were the most decisive in order to legitimise CAP reform. Obviously, the aim of the presentation was first and foremost to get the European Parliament as a whole on his side in the struggle for CAP reform, and here the internal arguments concerning sustainable farming, food safety and other consumer policy issues appeared to represent the most efficient framing of his argument.

From the very outset, Fischler had support for CAP reform from the NGOs<sup>12</sup> as well as the UK, Germany, the Netherlands, Denmark and Sweden; however, most member states opposed his reform plan. Seven agricultural ministers from Luxembourg, Spain, Portugal, France, Belgium (Wallonia), Austria and Ireland even went so far as to publish a common letter to the editor in several significant European newspapers to express their view that CAP reform before 2006 was unnecessary, as the heads of state had agreed upon in the Berlin Summit in 1999 upon adopting Agenda 2000. Nevertheless, in May 2003, Ireland, Belgium, Austria, Greece and Italy changed their minds, leaving France, Spain and Portugal without a blocking minority in the Council of Ministers.<sup>13</sup> In this perspective, Fischler's strategy for the adoption of CAP reform succeeded.

Among the organisations, Oxfam and other NGOs such as BEUC, the European Consumers' Organisation, strongly supported CAP reform before

2006 (BEUC, Press release of 11 July 2002). COPA (the Committee of Professional Agricultural Organisations in the European Union), on the other hand, was very critical of the Fischler plan, arguing that “the Berlin summit decision must be respected” (COPA, Press release of 10 July 2002).

The UK was the member state with the most ambitious approach to CAP reform. The UK Secretary of State for Environment, Food and Rural Affairs, Margaret Beckett, argued that “the EU needs to seize the initiative” [in international trade negotiations]. (Agra Europe, 8 November 2002). This was because the EU “needs to avoid the mistakes of the Uruguay Round where the EU was on the defensive and lost out in the negotiations as a result” (*ibid.*). At the same time, according to Agra Europe (which is an authoritative newsletter on CAP) the USA and the Cairns Group (a group of agricultural exporting countries) were pressing from the outside for reform (Agra Europe, 1 November 2002). Nevertheless, Franz Fischler deliberately downplayed this external pressure in order to gain support for his CAP reform initiative.

During 2002, however, there was mounting pressure from the WTO negotiations for CAP reform (Agra Europe, 29 November 2002). It was becoming increasingly clear that the reluctance to reform CAP was going to become a major obstacle in the Doha Round of agricultural trade liberalisation negotiations within the WTO (*ibid.*). Increasingly, according to an ‘overview paper’ by the WTO, the key issues in the WTO Doha Round had been encapsulated in the EU’s necessary accommodations of the demands of the US and the Cairns Group (Agra Europe, 20 December 2002). The external pressure for reform also appears to be a necessary — though insufficient — condition for reform of the CAP. Without external pressure on the CAP, the super asymmetrical political system of the CAP would probably have resisted a reform proposal and the Commission would not even have dared to present a plan for CAP reform.

Internally, a factor that eased the resistance towards CAP reform among member states was the Schröder–Chirac deal worked out in October 2002. Officially, it placed limits on the future growth of the CAP budget (Agra Europe, 10 January 2003); however, it stated that the CAP budget could increase by 1 per cent in nominal terms per year from 2007 to 2013. This was the price that Jacques Chirac asked for if he had to accept the enlargement. Politically, this was interpreted by France as a promise that the CAP budget would in fact increase by 1 per cent per year. Again, Chirac used the Franco–German axis to garner German support to avoid cuts to the total CAP budget. Without this deal, the CAP budget would automatically — according to the Commission’s proposal — have been cut on an annual basis.<sup>14</sup>

Only when the asymmetrical nature of the EU political system is taken into account does it become possible to rationally explain the Franco–German deal. Considered in this perspective, Jacques Chirac recognised that there was a realistic plan for CAP reform on the table that had the support of a broad coalition; however, not yet from a majority of member states in the Council of Ministers. He also recognised that there was pressure from



outside the EU on the CAP because of the impending WTO negotiations. In order to seize the initiative, he made the deal with Schröder which, in budgetary terms, rendered France more immune from any CAP reform, and Schröder accepted the deal because of the asymmetry in the German ‘political market’ concerning agricultural decisions.<sup>15</sup>

Clearly, the acute awareness of WTO realities also underlined the Commission’s persistence with the idea of decoupling aid from production (Agra Europe, 10 January 2003). Fischler wanted a CAP that would “no longer be trade distorting and no longer be susceptible to attack in the WTO” (Agra Europe, 17 January 2003).

In the autumn of 2002, the Fischler plan was on the Council of Ministers’ agenda on several occasions; however, in December 2002, it still appeared as though there was not a majority of member states in support of the Fischler plan.<sup>16</sup> On the other hand, the lack of support for the Fischler plan was never tested, as it was not a proposal that could be put on the agenda for a voting procedure. In spite of the resistance, Fischler decided to put forward the precise legislative proposals for a CAP reform on 22 January 2003. The content was in line with the policy plan of 10 July 2002, though with minor adjustments. The Commission still wanted a full decoupling, lower prices and cross-compliance. The advantages would be that the CAP support system would become simpler, and, at the same time, it would render the majority of CAP support untouchable during the WTO negotiations, as it would be part of the so-called Green Box. This is important, as it would significantly reduce the pressure on the EU concerning agricultural support.<sup>17</sup>

Of course, COPA was as much against the concrete legislative reform proposal as was the majority of member states in the Council of Ministers. Only Denmark, Sweden and the UK were fully satisfied with the proposals, even though they would have liked them to go even further in certain areas (Agra Facts No. 7, 2003).

In defending the decoupling, Franz Fischler used the external pressure to pursue a dual strategy in which he claimed that decoupled payments would increase farmers’ incomes while being an “adjustment that allows us to defend the long-term interests of CAP, with the necessary safeguards of targeted product support where really needed”, designating France as defensive (Agra Europe, 28 March 2003).

In the Council of Ministers meeting on 8 April 2003, the ministers discussed the question of decoupling for the first time. At the meeting, only the UK, the Netherlands, Sweden and Denmark supported Fischler’s proposal of a 100 per cent decoupling of the direct support to farmers. Most other member states spoke in favour of a partial decoupling; however, no member state presented a concrete proposal on what a partial decoupling could look like.

Alongside the negotiations in the Council of Ministers, the European Parliament prepared its own position concerning the European Commission proposal. The idea of a partial decoupling of the financial support was first put forward in a detailed manner in the report from the European Parliament’s Agricultural Committee (Agra Facts No. 41, 2003). The European

Parliament thus played the role that Fischler had pledged when he presented his plan for a new CAP reform in the European Parliament in July 2002, namely as a constructive ally in defending the idea of CAP reform in the general interest of the EU. And even though its support was only at the general level, it was, at the same time, based upon detailed knowledge of the decoupling issue.

After a long night of negotiations, a compromise was finally reached on a new CAP reform on 26 June 2003. The compromise modified the original proposal from the Commission, as it contained a greater number of choices as far as decoupling was concerned (among other elements of partial decoupling). At the same time, the prices on grain were not cut.

As expected, COPA was critical *vis-à-vis* the compromise. The headline of the press release issued by COPA on 26 June 2003 was: "Decisions undermine the Common Agricultural Policy and create uncertainty". However, the ministers were generally satisfied, the French, German and Spanish ministers explicitly expressing their satisfaction with the reform (Agra Facts No. 57, 2003). Franz Fischler referred to CAP reform as a beginning of a new era for CAP. He also explained that "Recent days and weeks have also shown how important it is to have an independent, European minded Commission which is not afraid of taking courageous and sometimes unpopular proposals in the interest of European progress" (Fischler 2003a). Clearly, Fischler saw the Commission's task as one of modifying the 'super asymmetries' of the CAP political system.

On the other hand, NGOs such as Oxfam, BEUC and the World Wildlife Fund — who all had supported the original Fischler plan — were not satisfied with the watered-down compromise. They were critical because the reform did not lay the foundation for more imports nor did it solve the problem of EU dairy dumping on poor countries (Oxfam Press Release, 27 June 2003, London). Fischler, on the other hand, had from the outset regarded the support from Oxfam and other NGOs as something that could help start the reform process, but not as the kind of support that could help him to reach a final compromise as in his middle-of-the-road position in his speech of 17 April 2002 (see above).

The so-called Fischler reform package was implemented from January 2005. The reform allows for variation between and within the member states as far as the model of implementation is concerned. The Fischler reform introduces the partial decoupling of direct support, and member states can choose that certain sectors in certain regions remain coupled to a smaller or larger extent. After the implementation of the reform, the majority of subsidies will be paid independently of production volume, through a hectare-based 'single farm payment' that is linked to environmental, food safety and animal welfare standards, rather than just production (the principle of cross-compliance).

However, the 2003 reform was not planned to reduce the support given to the EU farming sector (cf. the Schröder-Chirac deal of October 2002). In budgetary terms, the support for farmers resulting from this reform relative to the value of their output will probably increase. The dead-weight losses

will probably only decrease slightly, so that the positive welfare effect of the reform will be almost non-existent, even if the “maximum decoupling” scenario comes true (OECD 2003, 25). However, the 2003 reform merely follows the new path that the CAP took with the 1992 reform, with even greater variety of implementation methods, more diffuse goals and greater variety of decoupled *vis-à-vis* coupled sectors between and within the individual member states.

Both member state governments and the Commission sold the CAP 2003 reform as a reform with less bureaucracy (e.g., a statement by Margaret Beckett (2003) on 24 June 2003, and a speech by Commissioner Fischler (2003b) on 16 October 2003), even though they did not define what was meant by ‘less bureaucracy’. If ‘less bureaucracy’ means less paperwork for farmers, at least one new survey cast doubts about whether this is a result of the reform.<sup>18</sup> If ‘less bureaucracy’ means a reduction in the number of officials used to administrate the CAP in national governments, the fact is that more administrative staff are now occupied with CAP matters than before. This has partly to do with the implementation of the reform, but it is also expected that subsequent to the implementation there will generally be a greater number of bureaucrats occupied with CAP cases than prior to the reform; also when former measures such as the handling of stocks are eliminated from consideration. This is first and foremost because of the introduction of the principle of cross-compliance as a new element in CAP, which very often complicates the handling of payments from the CAP system.<sup>19</sup>

On the other hand, rational choice theory precisely predicts that a reform which potentially threatens specific organised interests, member state privileges, and the power of bureaucracy will have to face bureaucratisation; deals that undermine budgetary savings and methods to circumvent changes in the support system. Extraordinary pressure is also required just to get those reform proposals adopted.

Normally, only strong pressures from outside of the EU can create the necessary pressure to put a realistic reform proposal on the agenda in a super asymmetrical political system such as the EU CAP system. It would appear as though a necessary condition for reform, at least in super asymmetrical political systems, is for reform pressures to come from outside of the system itself. In short, the 2003 CAP reform was not — as otherwise claimed in the press — a reform against all odds. On the contrary, the odds for CAP reform in 2003 were basically quite good due to the presence of external pressure for reform.

At the same time, other conditions, such as a commissioner and a Commission willing to reform and create a coalition behind a reform agenda, are also necessary conditions, as is the ability to manoeuvre in the dire straits of the Council of Ministers decision-making system, which the general public accepts on the grounds that it is rational for them to keep themselves uninformed about how it works.

At the end of the day, there is also a price to be paid for pressing a reform through a super asymmetrical system in order to accommodate external demands for reform: bureaucratic measures and other sub-optimal solutions.

## Conclusion

This article attempts to answer two basic questions concerning the 2003 CAP reform: firstly, which processes lead to reform? Secondly, how do we explain the actual content of the reform? Answers are produced on the basis of a coherent rational choice theoretical concept of political asymmetry. It is argued that the general asymmetry between farmers and consumers is sharpened in the CAP because it is possible to push the costs of the expansion of agricultural production to other member states and countries outside the EU. This is why the EU political system can be characterised as a 'super asymmetrical' political system as regards agricultural policy decisions.

Hence, external pressure has been the decisive factor in the reform of the CAP. This pressure had been first and foremost exercised during the WTO negotiations. As the external pressure on the CAP intensified, the internal asymmetry assumed new forms that were more acceptable to the external actors. This is observed in the 2003 CAP reform, in which price support will be gradually replaced by other support measures not offering any incentives to increase production.

Simultaneously, the internal asymmetries in the EU decision-making process remain. CAP reform does not therefore mean that its budgetary costs will decrease; the 2003 CAP reform is not a reform in that meaning of the word. As a matter of fact, as predicted by the theory, these economic facts have not played any important role in the CAP reform process. However, instead of primarily being funded by consumers, taxpayers will have to pay a larger share of the social welfare costs as a result of the CAP. The agricultural support in budgetary terms is planned to increase compared to the situation today with 1 per cent (however, only in nominal terms) per year until 2013. On the other hand, the new forms of direct taxpayer-based support for the farmers are more bureaucratic and often 'justified' because of compliance with a high level of 'food safety' and 'environmental standards'. To the public, the new forms of support appear to be more or less 'objective'. The taxpayers therefore continue to face high costs when trying to obtain information about the effects of the CAP and when communicating their preferences to the political decision-makers in order to resist farmers' demands for increased public support. Thus, the prediction is that they will accept these costs.

Due to these political asymmetries, international pressure for the liberalisation of agricultural trade has triggered internal bureaucratisation in the CAP, which external actors find acceptable because it is less distorting to international trade. It is precisely in this meaning of the word that the 2003 reform was in fact a reform. However, the fact that the CAP reforms lead to increased bureaucratisation is understandable according to the theory proposed in this article. At the same time, the fact remains that the considerable bureaucratic costs resulting from the CAP reform will probably even increase, but this issue has not been of any major importance when adopting CAP reforms, except for the fact that it was actually sold as meaning 'less bureaucracy'.

According to the theory, horizontal institutions can be used in order to solve the co-ordination difficulties stemming from asymmetries in the political system. The European Parliament is one such horizontal institution. However, it is doubtful whether this institution can play the role of counterweight to the forceful particular interests, because it has little to say as far as CAP reforms are concerned, and still, the Parliament is a free-rider as far as the adoption of costly legislation is concerned, which is also due to the Franco-German axis usually undermining attempts to profoundly reform CAP in the budgetary meaning of the word.

The European Council is another horizontal institution that has contributed in some ways to the relative weakening of the political asymmetries in the European decision-making process through the adoption of limitations on agricultural spending increases. On the other hand, the European Council has in no way seriously changed either the pro-agricultural path of the CAP or represented a serious counterweight to the agricultural interests in the EU decision-making process.

The Commission is also a kind of horizontal policy entrepreneur that can play its role because of its relative freedom *vis-à-vis* its principals. This institution has been pressing for CAP reforms for years without much success. The Commission is the only institution maintaining the general interest of the EU; however, this institution has limited power, as it can only make proposals that it can observe being watered down in the Council of Ministers. If and when the Commission and the responsible commissioner are willing and able to play the role of recognising the super asymmetrical political system of the CAP, they can still get along with the reform proposals. However, there must be a decisive source of reform: the external pressure during the international trade negotiations. At the same time, it is imperative that the usual bureaucratic politics of the Commission are kept under tight control, e.g., through limiting the number of bureaucrats in the decisive initial phases of the reform process.

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## Notes

1. See <http://agritrade.cta.int/capreform/analysis.htm> (accessed 25 November 2005).
2. Thus, this article does not rule out the influence of ideational factors on the design of the CAP reform, but argues that the rational choice framework is able to explain the most important aspects of the reform in the simplest manner. Ideational explanations might increase explanatory power by filling out the 'blind spots' of the rational choice perspective. For example, Lynggaard explains that ecological ideals have been incorporated into the CAP during a period from 1993–2003 (Lynggaard 2003: 292). This adds 'flesh and blood' to the explanation generated by rational choice theory but does not contradict it, as this ideational impact does not alter the costs and benefits for the central actors.

3. As stated by one of the participants in the negotiations on the 2003 reform, “We did not ignore the question of welfare losses, however, the improvements by having a reform were so many, and the difficulties in reaching an agreement on the reform were so huge, that it was impossible to do it any better”.
4. The European Parliament did, however, appear to have had some influence on minor reforms of certain areas in the 1980s, e.g., the reform of the wine sector (1985), the new structural policy (1987), the stabiliser package (1988), and the initiative on budgetary discipline (1988).
5. The European Parliament does have some additional influence on CAP spending, as it has competencies with regard to the Community Budget. In the 1980s, the Parliament rejected the Community Budget on account of excessive agricultural spending; however, that option has not been used since.
6. Under the decision-making rules in the Council of Ministers that applied until 1 November 2004, a qualified majority required 62 of the 87 total votes in the Council of Ministers. Subsequent to the Enlargement, a new set of decision-making rules and a new distribution of votes entered into force. Hence, a qualified majority can be attained if two conditions are fulfilled: firstly, a simple majority of the member states must back the proposal in question (in some areas, a two-thirds majority is required). Secondly, a qualified majority requires 72.3 per cent of the weighed votes in the Council, which concretely meant 232 votes, as the total number of votes in the Council of Ministers was also raised from 87 to 321. Moreover, the member states constituting the qualified majority must represent at least 62 per cent of European citizens.
7. At least when not taking the internal decision-making costs into consideration (i.e., the time and resources necessary to reach a common position) (see, e.g., Buchanan & Tullock 1964, ch. 6 or Mueller 2003, 67–74).
8. As mentioned previously, however, at the bureaucratic level in the Commission, preferences must be expected to be more in favour of continuing and building up agricultural protectionism.
9. Presidency Conclusions, Berlin European Council, 24–25 March 1999: “the Commission and the Council are requested to pursue additional savings to ensure that the total expenditure, excluding rural development and veterinary measures, in the 2000–2006 period will not overshoot an average annual expenditure of 40.5 billion euros. Therefore, the European Council invites the Commission to submit a report in 2002 to the Council on the development of agricultural expenditure accompanied, if necessary, by appropriate proposals, and requests the Council to take the necessary decisions in line with the objectives of the reform.”
10. See COPA (2002), *Our Vision for the Future: A Sustainable Agriculture for all Europeans*, Brussels.
11. See Oxfam (2002), *Europe’s Double Standards*, London.
12. NGOs defending consumers, developing countries and the environment.
13. Information from Anders Buch Kristensen, former Head of Department, the Danish Permanent Representation in Brussels.
14. Information from Anders Buch Kristensen, former Head of Department, the Danish Permanent Representation in Brussels.
15. Another interpretation of the Franco–German deal was that Schröder sought to gain French support for the forthcoming debate on the EU takeover directive (cf. <http://www.euractiv.com//Article?tcaturi=tcm:29-109985-16&type=Analysis>, accessed 12 January 2006). However, this does not correspond to the fact that Germany had already received support from the UK in order to uphold a blocking minority in the Council of Ministers against the takeover directive (cf. Nedergaard 2006).
16. The main conclusion from the Agricultural Council of Minister’s Meeting of 5 December 2002, was that, “In general, most of the delegations considered that a fundamental reform should not take place before 2006 and should be preceded by examination of the policy options, based on detailed studies...” (Secretariat of the Council of Ministers doc. 15298, 2002).
17. Criteria for defining support as ‘Green Box’ in the WTO negotiations is that the support does not distort trade. ‘Blue Box’ support includes trade-distorting subsidies, but they are to be capped at no more than 5 per cent of the value of a country’s agricultural production.
18. Royal Bank of Scotland Agricultural Survey from November 2005, cf. <http://www.cheap-loans-finder.co.uk/news/11-12-2005-CAP-reform.html> accessed 12 January 2006).
19. Telephone interview with Peter Anthonisen, Chief Adviser in the Danish Ministry of Food, Agriculture and Fisheries (13 January 2006).



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