



Leibniz Institute of Agricultural Development  
in Transition Economies

# ***The political economy of agricultural support in the European Union and its Member States***

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- Multi-level structure of agricultural policy making in the EU
  - EU decision making
  - National decision making
  - Multi-level games
- } political economy perspective
- Example: the 2003 CAP reform and its implementation in the EU Member States (DE, FR, UK, IR)

## International level

- trade negotiations

## EU level

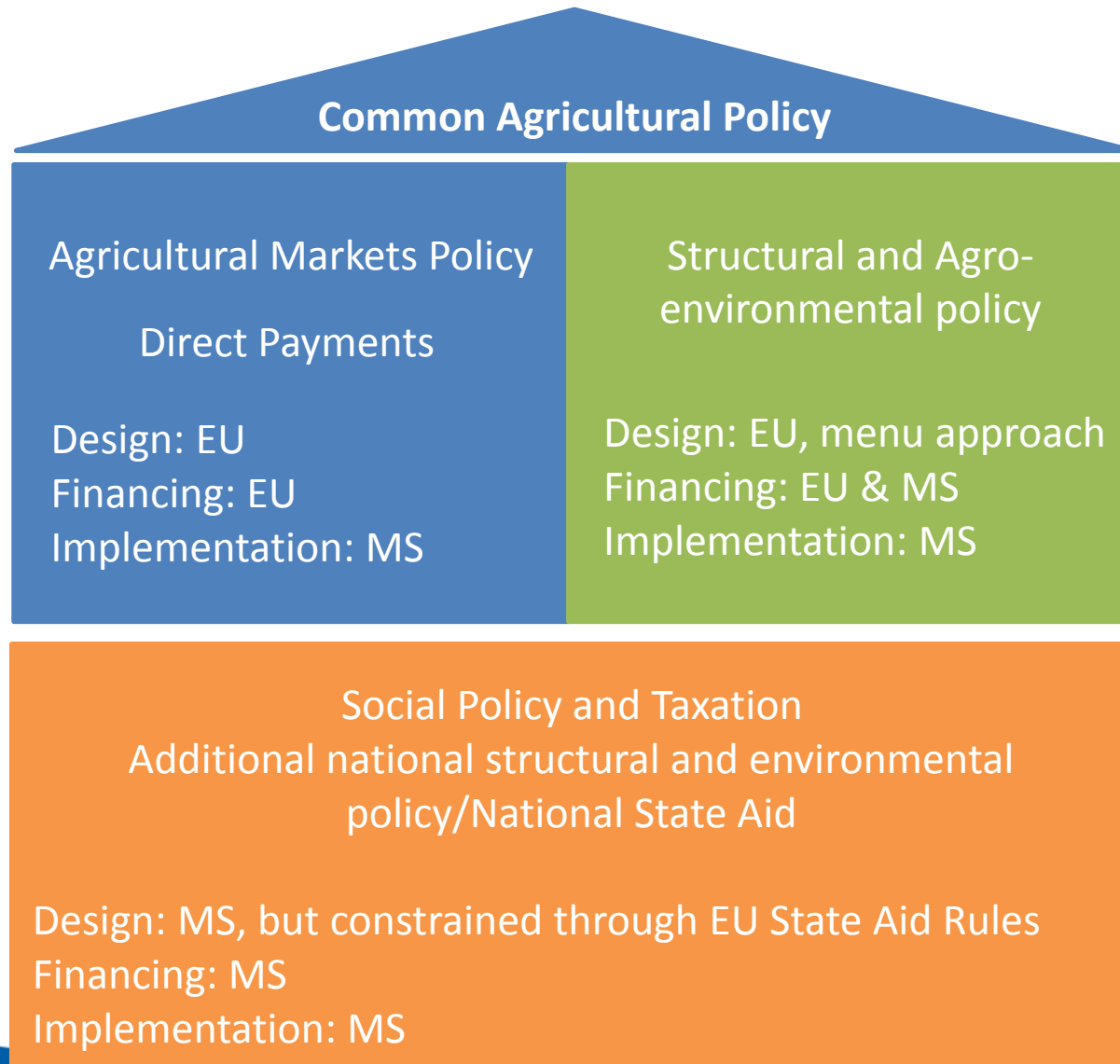
- market policies
- direct payments
- EU structural and environmental policies

## National level

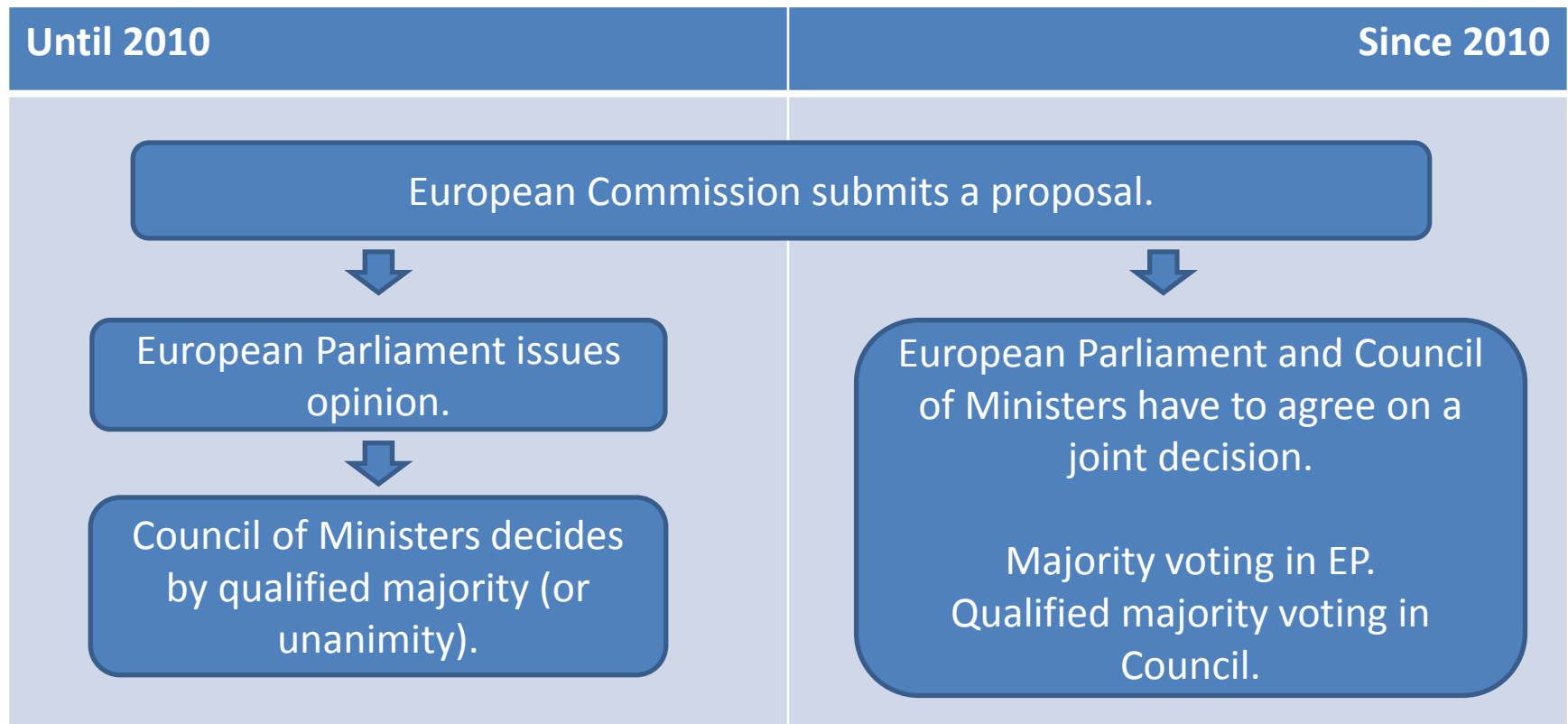
- agricultural social policies
- agricultural tax policies
- national structural and environmental policies

## Regional level

- regional structural and environmental policies



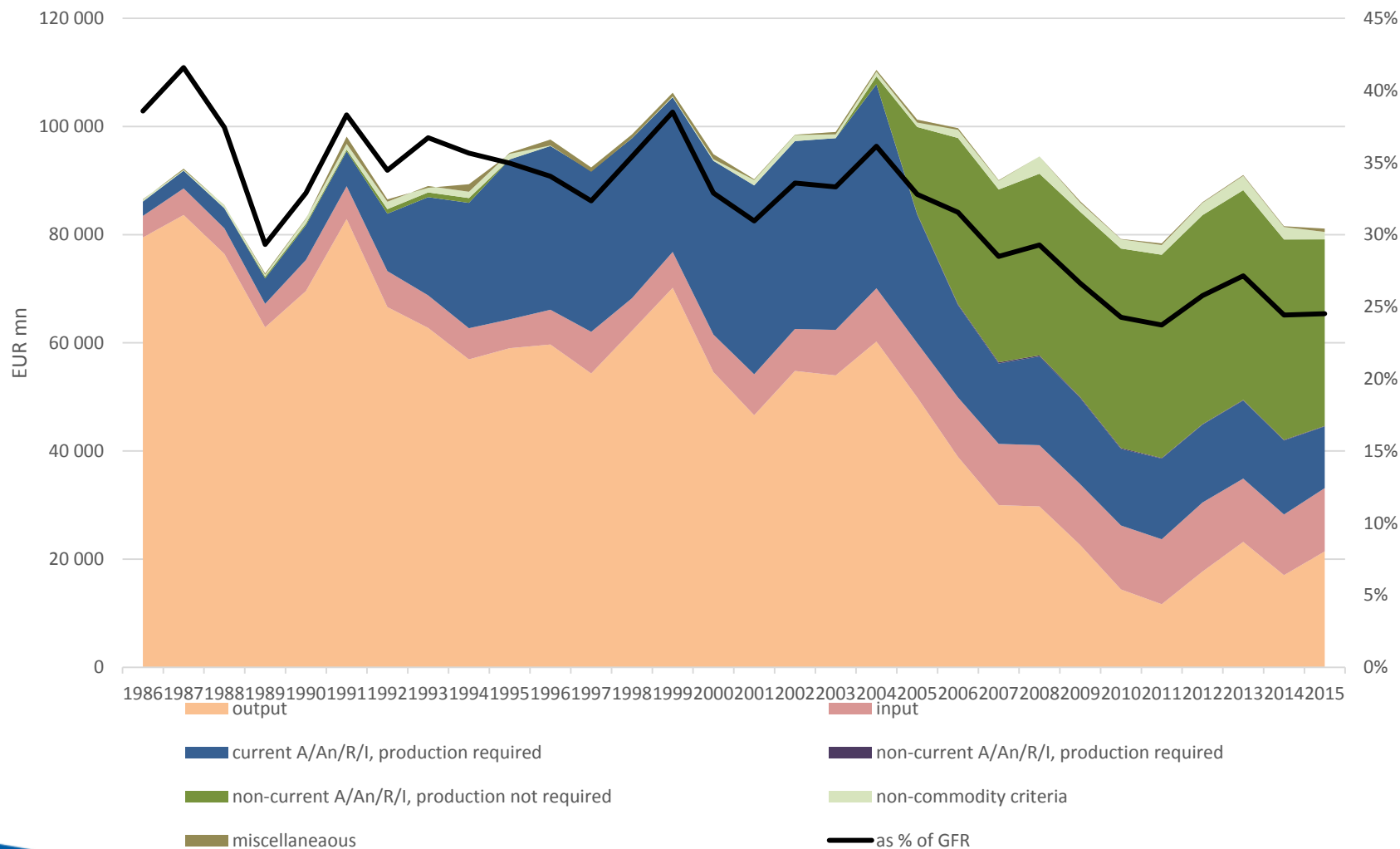
## Decision making procedure in EU Common Agricultural Policy



## Results of political economy analyses:

- Practice of unanimous decision-making in EU Council (at least until 1982)
- Sectoral organization of EU policy making
- Lobby organization at EU level
- In-transparency and democratic deficit
  - have contributed to high levels of agricultural support
- Changes in decision making rules
- Enlargement
- International trade and environmental negotiations
- Budgetary constraints
  - have contributed to reform

## OECD Producer Support Estimate for the EU



## Theoretical approaches

- **Voting models:** to maximize votes, politicians choose policies with large voter support/swing voter support
- **Interest group models:** competition between interest groups for political influence
- **Political institutions:** framework within which politicians compete for votes & interest groups for influence
- **Bureaucracy model:** administration seeks to increase its resources and influence



## Differences across Member States:

- Size and structure of agricultural sector
- Organization of agricultural interests
- Cultural/historical role of agriculture and state intervention
- Political systems: e.g.
  - Federalization/Decentralization
  - Party and Electoral systems
  - Corporatism/Pluralism
- EU budget: net-contributor / net-beneficiary

## Content of negotiations

- Reduction of market price support
- Decoupling of direct payments
- Redistribution of direct payments among farmers and member states
- Strengthening of rural development
- Cross-compliance

## Context

- WTO negotiations
- Enlargement
- Budgetary pressures
- Food crises
- Iraq war

## Member State policy positions:

Decoupling, Reduction in MPS, Budget stabilization	<p>UK, Netherlands Denmark, Sweden, Germany</p> <p>Austria</p> <p>Spain</p>	
No change in the level and composition of support needed	<p>Belgium</p> <p>Germany</p> <p>France</p>	<p>Portugal, Italy, Greece, Finland, Luxembourg</p> <p>Ireland, Spain</p>
	No capping, limited redistribution	Redistribution between farms and member states

Source: own depiction based on Garzon 2006, Blizkovsky/Grega 2003, Swinnen 2008

	Decoupling	Distribution direct payments
France	Maximum degree of coupling (arable crops, sheep, beef, overseas territories)	Historical model
Spain	Partial decoupling (arable crops, seeds, beef, outermost regions)	Historical model
Ireland	<b>No coupling</b>	<b>Historical model</b>
Germany	Partial decoupling (hops, tobacco)	Dynamic hybrid model
UK	No coupling (only in Scotland 10% for quality beef)	Dynamic hybrid (England) Static hybrid (Northern Ireland) Historic (Scotland, Wales)

- How can we explain member state positions and implementation choices?

- Characteristics of the agricultural sector

	France	Spain	Ireland	Germany	UK
% of GDP	2,2%	3,6%	2,5%	0,9%	0,6%
% exports	7,7%	10,4%	7,7%	2,9%	5,1%
% civil workforce	4,1%	5,9%	6,9%	2,5%	1,4%
FNVA/AWU % of EU average	123 %	96%	81 %	116%	166 %
% small (0-10ha)	38%	72%	20%	41%	34%
% large (>50ha)	30%	8%	17%	17%	32%

Data from 2000/2001, Source: Greer 2008, EC Rural Development Report 2006

- Heterogeneity and organisation of farm interests:
  - FR: two large peak associations FNSEA & CNJA, increasing heterogeneity
  - IR: strong peak association IFA, separate association of milk producers, marginal groups
  - DE: strong federal and regional peak associations, east-west divide, increasing heterogeneity
  - UK: regional peak associations with different interests, marginal groups
- Integration of farm groups into political-administrative system:
  - FR: (multipartite) corporatism
  - IR: emerging corporatism, localism
  - DE: corporatism
  - UK: corporatist features in agricultural sector

- Voters:
  - 2002 election topics in DE and FR: Iraq war, Immigration and “Islamisation”, Elbe floods and labour market reform
  - IE, UK: governing parties have stable majority
- Other interest groups:
  - In all countries the manufacturing and service industries have become involved due to WTO negotiations, especially in Germany and UK
  - Environmental and consumer groups have become more involved (especially in Germany and UK in the wake of BSE crisis)
- The EU budget dimension:
  - Net contributors: Germany, UK, *France*
  - Net beneficiaries: Ireland, Spain



- Government strategies:
  - FR: power play at EU level, French exemptionalism, serve traditional players
  - IR: broad consultation and information, planning towards future
  - DE: positioning of Green party, balancing multiple interests
  - UK: negotiations through central government based on liberal principles, responsibility for implementation shifted to regional governments

- Multi-level game
- Multi-issue negotiations between Member States and EU institutions
- Negotiations between interest groups and governments at national level affected by
  - heterogeneity of interests at national level
  - political traditions and strategies in balancing interests
- Voting models less fruitful
- International level affects EU and national negotiations
- Multi-level game => radical reform unlikely

Blizovsky, B. and L. Grega (2003): Qualitative analysis of the European Union members positions under the Common Agricultural Policy reform, *Agricultural Economy Czech*, 49(10): 453-459.

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