

**SIXTH FRAMEWORK PROGRAMME  
PRIORITY 8.1.  
SPECIFIC SUPPORT TO POLICIES**



**SPECIFIC SUPPORT ACTION**

**Agriculture for sustainable development: A dialogue on  
societal demand, pressures and options for policy**

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**Contribution of the CAP to  
the general objectives of the EU**

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## **SUMMARY**

In this paper, a synthesis of existing information and relevant research results at the European level will be outlined and relevance of the research topics and accessibility of the information assessed concerning the contribution of the CAP to the general objectives of the EU. In addition, this policy brief summarises the SASSPO discussion on this theme. The objectives of cohesion, competitiveness, employment and sustainable development, the subsidiarity principle and enlargement will be examined in this policy brief. Special attention will be paid to the Lisbon strategy objectives of economic growth and employment.

The CAP has, according to the research literature, always had some contradictory elements when compared to the objectives of the EU as a whole. Both according to the existing research literature and the policy dialogues it is evident that the CAP needs further justification, and that more attention should be paid to the internal and external coherence of the CAP. This societal demand can be coped with more balanced incorporation of various interests (citizens, tax-payers, consumers, rural dwellers) More democratic policy-making process is also an option. The CAP has traditionally been an arena for vested national interests. The participants pointed out that the current way of policy-making makes it easy to counter-reform forces to prevent any significant progress. In order to mitigate the influence of vested national interests, the role of formal and informal institutions, which are not responsible for the defence and promotion of official national standpoints, should be increased in the decision-making process. In order to legitimise the CAP, classical instruments of public accountability, including judicial review, could be better utilised. Most important is to increase knowledge and open discussion about the distinctive institutional context in the CAP, where policy outcomes emerge without the underlying choices being democratically debated or without wider public scrutiny beyond the immediate interests involved in the regulatory or management committees.

From the perspective of **cohesion**, it can be concluded that as long as the CAP redistributes income significantly, it is relevant for policy-making to be able to assess the cohesion impact. This issue has a clear connection to the legitimisation of the policy. Currently, data for assessing in particular the territorial impact is difficult to get. The simplification of the CAP, going on in DG Agri, is a step in the right direction.

From the perspective of **competitiveness**, it is evident that in the context of the EU economy, agriculture is a relatively low productivity sector, which direct contribution to the competitiveness of the Community is modest. However, the contribution of the whole agri-food sector is more significant also in economic terms. Agriculture and forestry are indirectly very crucial sectors for the region, as they play a key role in the management of natural resources. However, while rural areas and agriculture both change, they do not always take the same direction. It was noticed that there is not enough understanding of these processes. All in all, improvement can be achieved through better and more targeted policies. It was argued that there is a need for going through all CAP policy measures and evaluating them one by one. Policy-making is likely to develop in the future to the direction of greater focus on economy-wide measures and regulations applied to the agri-food sector, as well as more attention to targeted policies to achieve multiple objectives.

From the point of view of **employment**, there is a need to invest in the human factor in agriculture and rural areas. The way how work is organised in agriculture changes rapidly as a result of new technologies and increasing labour mobility inside the Community. Immigration has an impact on both the price and quality of labour. Part of agricultural immigrant labour is also illegally in the EU. In addition, for example European horticulture is very fragile in terms of labour during the harvest. In the southern member state, very small, actually non-enterprise farms are an important political issue that is connected to pluriactivity and general employment in these areas. It should be seriously investigated what kind of (separate) policy these farms would need. The differences in labour use are too much neglected in policies designed according to statistical averages. In eastern member states, low income level in agriculture has an impact on the whole society and causes problems. In these countries a rapid structural change is needed and it should be attractive to leave agriculture. Employment in agriculture should be studied by multidisciplinary approaches, and governed in close cooperation among policy sectors.

The concept of **sustainability** has been mainly ecological in the discussion around the CAP, and a more holistic approach in research is needed. In the dialogues the question of how to organise green services was discussed critically. There was some scepticism about the impact of the agri-environmental schemes as to how efficiently the money is used. It was also asked if we have in EU shared values that underpin the public goods provision or is it a policy designed by the agricultural community itself. The public demand for public goods remained unclear after all studies. In Switzerland, 7 % of agricultural land is set aside in order to produce biodiversity – is this also the future of some parts of the EU? It was suggested both to study alternative landscapes, also those

created without agriculture, and to collect a list of precious European landscapes. The deeper integration of agricultural, environmental and rural dimensions of the CAP inevitably means that links from the CAP to other EU level sector policies must be reviewed and reassessed. Successful rural development, for instance, requires a closer co-operation between the CAP and structural funds. When the environment is concerned, a better reconciliation of environmental objectives and policy-making principles of the CAP and EU's general environmental policy would be a step forward, especially in terms of ecological sustainability.

Linked to the concept of **subsidiarity**, the heterogeneity of EU agriculture was very much recognised in the dialogue discussions. The participants stressed that increasing national flexibility in policy design does not mean the same as re-nationalisation of the CAP. It is possible to have more flexible policies from the national perspective without endangering EU level commensurability of policy-making principles. The need for more flexibility originates from increasing diversity of regional circumstances as well as national and sub-national interests, which result, in turn, from past, on-going and planned EU enlargements. Agriculture related problems of the new member states differ considerably from the ones of the old member states. The funding of the CAP is naturally a decisive factor when national flexibility is increased. The tightening EU budget framework calls for expanding co-financing, which is not necessarily in the interests of the new member states. The issue of subsidiarity has to be tackled in connection to improving the justification of the policy. A common market still requires a common policy, where the impact of national vested interests on Community level should be diminished. Following the subsidiarity principle, decisions concerning both policy content and implementation should be taken as close as possible to relevant stakeholders. Policy formation and implementation processes should be transparent and they should be based on open communication.

In the dialogues, it was emphasised that it is the **enlargement** that affects the CAP, not vice versa. Institutional aspects are crucial in a case of a detailed and complicated policy as the CAP. As to the legitimisation of the policy, again, equal treatment of new and old member states was asked for. In order to improve policy making, special effort to collect data from the new member states is essential. However, because of inherited political culture, people in those countries may be suspicious about collecting information and do not necessarily cooperate with authorities. The role of research is regarded more neutral.

From the point of view of the future policy options, in the dialogues it became clear that the tendency to 'compensate' has very much complicated the policy and reforms. Payments are too often seen as a 'historical right'. Incremental reforms were also found as a problem. There were also doubts about whether research results are, after all, used when making policy reforms. Anyway, there was unanimity about the need of more than one study on a subject. For policy making connected to reforms, interdisciplinary and comparative studies are needed. Finally, any reform would be much facilitated by research that flags for the future.

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## **1 Introduction**

Based on the Background Notes and the results of the policy dialogue seminars, four Policy Briefs on the linkages of the different aspects of the CAP have been developed. The focus is set on policy recommendations for the European level as well as the national level to develop a future common approach. In this paper, a synthesis of existing information and relevant research results at the European level will be outlined and relevance of the research topics and accessibility of the information assessed. This policy brief summarises the SASSPO discussion on the CAP in the wider context of the EU.

The text is based on the SASSPO dialogues and existing research literature and is divided into 10 chapters. Chapter 2 presents the higher level EU objectives laid down in successive Treaties and the specific objectives of the Common Agricultural Policy, and illuminates briefly the scientific discussion on the CAP in the wider context of EU, especially from the historical point of view. Chapters 3 to 8 discuss the CAP in connection to the EU objectives of cohesion, competitiveness, employment and sustainable development, the subsidiarity principle and the enlargement, respectively. Chapter 9 reviews literature regarding the way in which the policy adjusts itself (reform) in conformity with new objectives at the EU level. The concluding Chapter 10 assesses the contribution of research for understanding the relationship of the CAP and the general objectives of the EU and draws conclusions from the policy dialogues.

## **2 The general objectives of the EU**

The higher level EU objectives have been laid down in successive Treaties (<http://eur-lex.europa.eu/en/treaties/index.htm>).

The Treaties of Rome establishing the European Community (consolidated text, originally from year 1957):

‘The Community shall have as its task, by establishing a **common market** and an **economic and monetary union** and by implementing **common policies** or activities referred to in Articles 3 and 4, to promote throughout the Community a harmonious, balanced and sustainable development of **economic activities**, a high level of **employment** and of **social protection, equality between men and women, sustainable** and non-inflationary **growth**, a high degree of **competitiveness** and **convergence of**

**economic performance**, a high level of protection and improvement of the quality of the **environment**, the raising of the **standard of living and quality of life**, and **economic and social cohesion** and **solidarity** among Member States.’

Treaty of the European Union (1992, consolidated text):

‘The Union shall set itself the following objectives:

- to promote economic and social progress and a high level of employment and to achieve balanced and sustainable development, in particular through the creation of an area without internal frontiers, through the strengthening of economic and social cohesion and through the establishment of economic and monetary union, ultimately including a **single currency** in accordance with the provisions of this Treaty,
- to **assert its identity on the international scene**, in particular through the implementation of a common foreign and security policy (...)
- to strengthen the **protection of the rights and interests of the nationals** of its Member States through the introduction of a citizenship of the Union,
- to maintain and develop the Union as an area of **freedom, security and justice**, in which the free movement of persons is assured in conjunction with appropriate measures with respect to external border controls, asylum, immigration and the prevention and combating of crime,
- to maintain in full the *acquis communautaire* and build on it with a view to considering to what extent the policies and forms of cooperation introduced by this Treaty may need to be revised with the aim of ensuring the effectiveness of the mechanisms and the institutions of the Community.’

The proposal for a Treaty establishing a Constitution for Europe (2004):

1. The Union's aim is to promote **peace**, its **values** and the **well-being** of its peoples.
2. The Union shall offer its citizens an area of freedom, security and justice without internal frontiers, and an internal market where competition is free and undistorted.
3. The Union shall work for the sustainable development of Europe based on balanced economic growth and price stability, a highly competitive social market economy, aiming at full employment and **social progress**, and a high level of protection and improvement of the quality of the environment. It shall promote **scientific and technological advance**. It shall **combat social exclusion** and **discrimination**, and shall promote **social justice and protection**, equality between women and men, **solidarity between generations** and **protection of the rights of the child**. It shall promote economic, social and **territorial cohesion**, and solidarity among Member States. It shall respect its rich **cultural and linguistic diversity**, and shall ensure that Europe's **cultural heritage** is safeguarded and enhanced.
4. In its **relations with the wider world**, the Union shall uphold and promote its values and interests. It shall contribute to peace, security, the sustainable development of the Earth, solidarity and mutual respect among peoples, **free and fair trade**, eradication of poverty and the protection of human rights,

in particular the rights of the child, as well as to the strict observance and the development of international law, including respect for the principles of the United Nations.

5. The Union shall pursue its objectives by appropriate means commensurate with the competences which are conferred upon it in the Constitution.'

More recently in the Lisbon summit in March 2000, European leaders committed the EU to become by 2010 'the most dynamic and competitive knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion, and respect for the environment', also known as the **Lisbon Strategy**. In November 2004, the report *The Lisbon Strategy for Growth and Employment* concluded that the EU and the Member States have progressed too slowly in fulfilling the Lisbon objectives (Kok 2004). Following the report, the Commission published a communication to the European Council in spring 2005, **prioritising the objectives of growth and jobs** in relation to the social and environmental aspects of the original Lisbon Strategy (Commission of the European Communities 2005c).

The Lisbon Strategy acts as a frame of reference in the making and the renewal of EU policy programmes. In the draft **Community Strategic Guidelines for Cohesion 2007–2013**, **cohesion policy** is perceived as the main instrument at EU level in the realisation of the Lisbon strategy because of its big share (one third) of the Community budget and because of the importance of strategies designed at local and regional levels in the promotion of growth and jobs. (Commission of the European Communities 2006b.) In February 2005, the Commission launched its **new Social Agenda**, which is in line with the renewed Lisbon Strategy and has employment and fighting poverty and promoting equal opportunities as its key objectives. (European Commission 2005a.) Changes in the objectives of the Lisbon Strategy have also affected **the European Employment Strategy** (EES). EES was adopted in 1997 after the Amsterdam Treaty, which introduced a new title on employment. It had the primary objective of combating unemployment through preventive and activating measures. In 2000, EES became a component of the Lisbon Strategy and since 2003 the key objectives of the EES are the achievement of the employment rate targets set at Lisbon, quality and productivity at work (more and better jobs) and an inclusive labour market, in which unemployment is reduced and social and regional disparities in access to the labour market narrowed (European Commission 2004a). As to the CAP contribution to the Lisbon strategy, the 2003/04 reform with the decoupling of direct aid from production was a step towards a more market-oriented policy that encourages an entrepreneurial approach. The second pillar measures are the key tools in line with the Lisbon strategy, but the transfer of resources from CAP direct aid to

rural development has been limited, and the member state slow to utilise this option. The CAP 'health-check' in 2008 offers an opportunity to consider the issue anew.

The objective of sustainable development is presented in the **European Union strategy for sustainable development** from 2001 (Commission of the European Communities 2001, the global perspective added in European Commission 2002), which was updated after the mid-term review in 2005 (Commission of the European Communities 2005b). It added the ecological dimension to the EU's existing economic and social policy objectives, which means that the three facets of the concept of sustainable development should be covered (Lightfoot & Burchell 2005). The objectives of the strategy are to limit climate change and increase the use of clean energy, to address threats to public health, to manage natural resources more responsibly and to improve the transport system and land-use management (Commission of the European Communities 2001). The renewed strategy emphasises the changes in the way of making policies (coherence, open method of coordination, market-based policy instruments, science and technology, communication and mobilisation of business and citizens) and adds the objectives of tackling poverty and social exclusion, harnessing globalisation and better governance at the global level (Commission of the European Communities 2005b).

According to Helen Wallace (2000, 44), European integration is shaped by contextual (*when, where*), functional (*what*), motivational (*why*) and institutional (*how*) factors. Contextual factors – inadequacy of the state to be effective in all domains of public policy, globalisation and the specificity of Western Europe as a region – emanate from broad circumstances since the Second World War. Functional factors derive from the core functions of politics, generating demands to be met. In this context, European integration is mainly linked to the geopolitical stabilisation, socio-economic adjustment and political symbolism. Moreover, European integration is shaped by motivational factors – specific interests, prevailing ideas and contingent issues – and a specific (formal, informal, political, judicial) institutional setting.

According to Wallace, the original treaties were products of their time and hence excluded policy domains which importance grew over the years. One of such issues is environment. (Wallace 2000, 55.) The Single European Act, the Treaty of the European Union and the Treaty of Amsterdam have cumulatively embedded environmental protection in the EU's policy portfolio (Sbragia 2000). However, the historic commitment of the union to economic growth makes sustainable development subordinate to economic growth (Baker *et al.* 1997). The relevance of some other

issues highlighted in the original treaties, on the other hand, has diminished. Rieger (2000, 189–193) evidences a decrease in the commitment to a shared regime in and the gradual renationalisation of the CAP.

The objectives of CAP were enumerated in the Treaties of Rome, and the same objectives remain in the Treaty establishing a Constitution for Europe: to increase **agricultural productivity**, to ensure a **fair standard of living for the agricultural community**, to **stabilise markets**, to assure the **availability of supplies** and to ensure that supplies reach consumers **at reasonable prices**. Since then, the dimensions of the **environment, rural issues, animal welfare and food safety** have been added to the CAP (major reforms in 1992, 1999 and 2003). The Agenda 2000 reform sets slightly different objectives: to improve agricultural competitiveness in the EU without excessive recourse to subsidies, to preserve the level of farmers' income and its stability, to respect the environment and the diversity of the countryside, to improve the quality of agricultural produce and to simplify and decentralise the CAP.

From the point of view of the CAP, the most important EU objectives are **growth/competitiveness, cohesion, employment and sustainable development** (and the objectives like peace, freedom, security or justice less important). In the rhetoric of EU policies, 'economic growth, social cohesion and environmental protection must go hand in hand' (Commission of the European Communities 2001). Despite the constant trade-offs between the different objectives (see e.g. Hall et al. 2001), the official EU discourse emphasises the synergy between the different objectives and the policy programmes emanating from them. However, it is worth noting that when compared to the other objectives, the commitment of the union to economic development has a strong historical basis (e.g. Baker *et al.* 1997). The stated goal of the CAP is the preservation of an economic sector, and it has, in its essence, remained relatively untouched by the shifts in the debates about the wider politics of European integration (see e.g. Rieger 2000, 182).

The CAP has, according to the research literature, always had some contradictory elements when compared to the objectives of the EU as a whole. The CAP has been a protectionist or at least self-contradictory measure in a liberal economy project (Dinan 2004, 87, Urwin 1991), its success was one factor inhibiting the common policies in other areas (Urwin 1991, 193) and it has caused conflicts with other policies (interest conflicts between the agricultural and the industrial sector at the regional and national level, the influence of trade blocks on national foreign policy, Hennis 2001; conflicts with development and environmental policies). CAP has also been a measure of

national power politics (Dinan 2004) and its role as a common policy has even been questioned, as Member States implement the CAP differently and have national policy measures (Greer 2005).

Both according to the existing research literature and the policy dialogues it is evident that the CAP needs further justification, and that more attention should be paid to the internal and external coherence of the CAP. More balanced incorporation of various interests (citizens, tax-payers, consumers, rural dwellers) and more democratic policy-making process is needed. The CAP has traditionally been an arena for vested national interests. The participants pointed out that the current way of policy-making makes it easy to counter-reform forces to prevent any significant progress. In order to mitigate the influence of vested national interests, the role of formal and informal institutions, which are not responsible for the defence and promotion of official national standpoints, should be increased in the decision-making process. In order to legitimise the CAP, classical instruments of public accountability, including judicial review, could be better utilised. Most important is to increase knowledge and open discussion about the distinctive institutional context in the CAP, where policy outcomes emerge without the underlying choices being democratically debated or without wider public scrutiny beyond the immediate interests involved in the regulatory or management committees.

### **3 CAP and cohesion**

In discussing cohesion in the EU, it is important to distinguish three levels:

- 1) inequalities between countries, particularly between the so-called Cohesion countries and the rest of the Union
- 2) inequalities between regions within the EU
- 3) inequalities between individuals ('social cohesion').

Greater cohesion implies that incomes, employment, and economic opportunities grow faster for groups in weaker areas with low incomes than for groups in richer areas with high incomes. (Dunford *et al.* 2001.)

The objective of cohesion was not important at the time of the Treaty of Rome. The scale of regional and other disparities as well as the political approach and the specific policy instruments used have changed a lot during the years. The wording 'harmonious development' in the Article 2 of the Treaty recognises that a relatively equitable distribution of the gains and losses, or at least the

perception of such an equitable distribution, can be a determining factor for the continuation of the integration process. (*ibid.*)

Current structural policies for rural areas in the EU have developed out of structural policies for the agricultural sector, first introduced in the 1960s, shortly after the first CAP market regimes (Van Depoele 2000). In 1987 the Single European Act, aimed to achieve a single, united European economic area, introduced in the EC treaty the objective of economic and social cohesion, which was also linked to the reform of the Structural Funds. The Maastricht Treaty in 1993 turned cohesion into one of the three pillars of European construction together with economic and monetary union and the single market. It also strengthened the legal basis for EU rural development policies and anchored them to the objective of cohesion by adding the words 'rural areas' to Article 130 A of the treaty dealing with economic and social cohesion. (*ibid.*) The Agenda 2000 action programme, which emphasised among others rural development, had the strengthening of Community policies and the preparation of the enlargement as its main objectives. Currently, the Commission is required to submit a report every three years on the extent of progress towards the objective of economic and social cohesion and the manner in which various EU policies – including the CAP – have contributed to this (see European Commission 1996, European Commission 2001b, European Commission 2004a).

Despite the rural development policies, it is questionable if the CAP as a whole promotes cohesion. Colin Brown (1989) estimated that large farms benefited from the CAP 15 times as much as small farms. In Hall *et al.* (2001) it is argued that the CAP has been and still is the sectoral policy of the EU generating the largest redistribution of income among the citizens of the union. Almost half of the value of agricultural production is accounted for by monetary transfers to producers from taxpayers and consumers of agricultural products. The CAP has an impact on cohesion also because agriculture extends across the entire EU territory and directly affects rural areas.

Tarditi and Zantias (2001) concentrate on the impacts of the price policy. According to them, the impact of the agricultural price policy of the EU is a result of different and contrasting effects both in terms of equity (income distribution) and efficiency (competitiveness and economic development). They detect positive effects in terms of territorial distribution among countries, but especially at regional level (NUTSI and NUTSII). On average, the agricultural price support transfers income from richer, urbanized and industrialized regions towards poorer regions, where the share of agriculture in regional GDP is bigger. This has been enhanced by the 1992 reform of

the policy, which has shifted the burden of price support more from consumers to taxpayers. (*ibid.*) Yet, according to the preparatory work of the Third Report on Economic Cohesion, the positive impact of the CAP on interregional income distribution is not a sufficient reason for the maintaining of the existing price policy. Firstly, the same impact could be resulted if farmers were compensated for positive externalities and for improving the structure of their farms, and secondly, if such transfers would be allocated from rich to poorer regions without sectoral constraints, their impact would be much larger and more transparent. (Labour Asociados Consulting 2003.)

On the other hand, the overall effect of the agricultural price policy on interpersonal income redistribution is negative – within society and within the agricultural sector – as higher food prices operate as a regressive tax on consumers (lower-income households spending a bigger share of their budget on food) and the income transfers linked to production capacity mainly benefit the better-off farmers. Moreover, higher market prices tend to increase land value, thus benefiting (especially big) landowners, i.e. farmers and non-farmers, whose income is often higher than the average non-farm income. (Tarditi & Zanas 2001.)

The analysis of the impact of community policies on regional cohesion (Labour Asociados Consulting 2003) shows that the global impact of the current price policy of the CAP is substantial and is damaging numerous less developed countries whose main resources for their economic development are agricultural, thus contrasting global cohesion. On the contrary, structural and rural development policy measures in general allow supporting agriculture in a more efficient and equitable way. It is concluded that the contribution of CAP to cohesion is a difficult and ambiguous assessment from the regional perspective

The third report on Economic and Social Cohesion reviews the main changes which have occurred in these policies since 2001 in the light of EU objectives, particularly those agreed at Lisbon (growth and jobs) and Gothenburg (sustainable development). According to the report, in the future, the potential effect of the CAP to have an effect on cohesion will depend more than in the past on the objectives defined by Member States (and where relevant, by regions), which will have wider scope for determining the form of direct payments. The enlargement causes a widening of disparities in agriculture and an increase in its dual nature because of the number of small holdings in the new Member States with larger employment than in the EU15. (European Commission 2004a.)

European Spatial Planning Observation Network (ESPON 2004) analysed the Common Agricultural Policy from a territorial point of view, especially against the European Spatial Development Plan (ESDP). This perspective caused that the project was primarily focused on economic and social cohesion, but also on competitiveness (and, to a lesser degree, on sustainable development). When analysing the CAP, the ESPON project (ibid., 206) distinguishes between a 'high' or 'strategic' level of EU objectives (global competitiveness, socio-economic cohesion and environmental sustainability) and a lower or more specific level (e.g. 'fair' levels of farm incomes, strengthened and integrated rural development, food safety).

The principal conclusion of the report was that in aggregate the CAP works against the ESDP objectives of balanced territorial development and does not support the objectives of economic and social cohesion. Moreover, in terms of polycentricity at the EU level, Pillar 1 of the CAP appears to favour core areas more than the periphery of Europe, and at the local level, CAP favours the more accessible areas. Some of the recent reforms of the CAP have ameliorated these conflicts of objectives: for example direct income payments are distributed in a way more consistent with cohesion than market price support, and higher levels of Pillar 2 payments are associated with more peripheral regions than Pillar 1 support. According to the study, there is scope to amend Pillar 2 to favour cohesion, but the potential is not currently being realised. One important finding of the study was also the difficulties to find coherent data to be able to evaluate the territorial impact of the CAP. (ESPON 2004.)

The objectives of the EU are also present in the *Impact assessment of rural development programmes in view of post 2006 rural development policy* (DG Agriculture 2004), which analyses the ways to better exploit the synergies and complementarities between measures linked to wider rural economy and community and other EU policies promoting growth, competitiveness, employment and cohesion. According to the report, in seeking to benefit the rural economy and community, it is important that rural development policies work together with other EU policies concerned with economic and social development. The most obvious synergies and complementarities exist between rural development and the Structural Funds, and efforts have been made to ensure complementarity at the programme level between rural development and the Structural Funds.

Cohesion and the CAP have been analysed by John Marsh (2000) in the context of the EU enlargement. To abandon market and price policies within the CAP would fundamentally challenge

the entrenched pattern of gains and losses from Community membership. Even if the same volume of transfers were to be maintained through other policy instruments the share of costs and benefits of member countries would likely to change. For example a policy based on social grounds would tend to operate more to the benefit of the poorer member countries, namely CEECs. Alternatively, a policy based on environmental criteria might relate more closely to the area of countries and the vigour of their green movements, rather than to their agricultural output. (Marsh 2000, 87.)

Based on the literature review and dialogue debates it can be concluded that as long as the CAP redistributes income significantly, it is relevant for policy-making to be able to assess the cohesion impact. This issue has a clear connection to the legitimisation of the policy. Currently, data for assessing in particular the territorial impact is difficult to get. The simplification of the CAP, going on in DG Agri, will make it easier.

#### ***4 CAP and competitiveness***

Competitiveness is the current driving force of the European Union due to the Lisbon strategy and the ambition of the EU to become the most dynamic and competitive knowledge-based economy in the world by 2010. In the European Union, competitiveness and cohesion are tightly intertwined. Many of the studies and reports dealing with cohesion also deal with competitiveness.

Farm price support generates large distortions in the domestic market at inter- and intra-sectoral level, reducing EU competitiveness and generating social costs and budgetary expenditure for disposing food surpluses and for setting aside arable land in order to reduce domestic supply. In the long term, price support hinders structural adjustment in rural areas. Negative effects of the EU price policy on resource allocation and competitiveness have a detrimental effect of European cohesion. Price policy should be dismantled and more targeted measures should be implemented with issues of cohesion and the environment. (Tarditi & Zanas 2001.)

In a developed economy like the EU, agriculture is a low productivity sector. According to the Second Report on Economic and Social Cohesion, low productivity in agriculture shows in particular in the relatively poor performance of cohesion countries with a high degree of employment in agriculture. (European Commission 2001b.) From the point of view of employment and competitiveness the ESPON (2004) report states the following: the CAP has not managed the

steady drain of labour from the agricultural industry in a manner that could have guaranteed that relative incomes for the remaining farming population would have been maintained. The ESPON report sees that the concept of competitiveness as it affects rural areas applies more and more to ‘new’ and non-commodity economic activity. (*ibid.*, 64–65.)

The shift to single farm payments is generally linked to increased competitiveness in the official EU discourse (see e.g. Cardwell 2004) and in some academic studies (e.g. Gómez-Limón & Atance 2004). The scenario analysis on decoupling made by DG Agri compares scenarios with different levels of decoupling. According to the study, the *status quo* situation already provides considerable benefits as regards the sector’s regional competitiveness, market orientation and income situation when compared to a full coupling policy situation. Additional benefits could be gained by decoupling to the full extent in line with current policy provisions. (European Commission 2005b.)

John Marsh (2000) sketches in his article three possible scenarios for the future CAP. If the CAP would be led the most efficient way from the point of view of international competition, the task of the policy would be to promote the emergence of an industry better able to use the agricultural resources of the Community profitably. Such policy would include the following: ensuring that the highest-cost producers leave the industry (mainly realised through price cuts unaccompanied by compensation), indicating clearly what public good values the policy is designed to secure (to be able to implement adequate policy measures), facilitating economic adjustment, not just agricultural change (investing in training, infrastructure and advisory services instead of cash transfer payments), and encouraging research and development and ensuring that monitoring activities are in place. (Marsh 2000.)

If the CAP is continued as a policy of minimum change – which is also the case with ‘decoupled’ subsidies – the major source of competition for the agriculture derives from the growth of other sectors within the EU economy. This happens mainly because of the increase in wages and in the price of land and existing housing stock and because of the advent of more centralised systems of marketing, unless there are planning restrictions to limit development in major farming areas. (Marsh 2000.) A third possible scenario would match policy instruments to policy goals, leaving competitiveness to market and price policy and leaving environmental, regional and social aspects to explicit environmental, rural development and social policies (*ibid.*) – similarly to the conclusions of Tarditi & Zanas (2000).

The most important contemporary policy development of the EU linked to competitiveness and employment is the Lisbon Strategy, especially in its renewed form which emphasizes growth and jobs. The Agenda 2000 reforms (the 1998 Explanatory Memorandum) and the Mid-Term Review 2003 both emphasize the need to enhance the competitiveness of Community agriculture, the need to promote a market-orientated, sustainable agriculture and the need to strengthen rural development. The guiding principles for the contribution of the CAP to the Lisbon Strategy were set by the European Council in Göteborg in 2001 and confirmed in the Lisbon Strategy Conclusions in Thessaloniki in June 2003. These principles are **strong economic performance** that goes hand in hand with **the sustainable use of natural resources**. These principles have shaped recent CAP reforms according to the official EU discourse. Especially the market orientation of the CAP post 2003/2004 and the role of rural development in for instance improving education and training, research and development and the promotion of innovation and sustainability are linked to the Lisbon Strategy. (European Commission 2006b, European Commission, year missing b.) The technical and political simplification of the CAP are linked the better regulation as a means to realise the Lisbon strategy (Commission of the European Communities 2005a).

However, the CAP has been only a secondary element in the discussion about the Lisbon Strategy. The Kok (2004) report, which is the mid-term review of the Lisbon strategy, mentions agriculture only once, in the context of promoting eco-efficient innovations. The same themes are present in the EU's Environmental Technologies Action Plan, according to which investment in environmental technologies – also in agriculture – can, besides the ecological impact, increase employment and economic growth within the EU (European Commission 2004b). The relation between the CAP and the Lisbon Strategy has been analysed very little in scientific studies so far. The author of an earlier review of the Lisbon Strategy, André Sapir (2006), states that the budget of the EU is a relic which hinders the competitiveness of the union, as too much resources are allocated to agriculture and too little to innovation and research.

Research gaps from the point of view of the CAP and competitiveness are mentioned in the EU funded Multagri Project (2005), which provided an overview of existing research on different aspects of the multifunctionality of agriculture. These include for instance the contribution or hinders of an increasingly multifunctional agriculture to competitiveness (need to contrast sectoral and territorial approaches) and research relating to multifunctionality of agriculture and international trade.

Based on the literature and on the dialogue discussions, it is evident that in the context of the EU economy, agriculture is a relatively low productivity sector, which direct contribution to the competitiveness of the Community is modest. However, the contribution of the whole agri-food sector is more significant also in economic terms. Agriculture and forestry are indirectly very crucial sectors for the region, as they play a key role in the management of natural resources. While rural areas and agriculture both change, they do not always take the same direction. It was noticed that there is not enough understanding of these processes. All in all, improvement can be achieved through better and more targeted policies. It was argued that there is a need for going through all CAP policy measures and evaluating them. Policy-making is likely to develop in the future to the direction of greater focus on economy-wide measures and regulations applied to the agri-food sector, as well as more attention to targeted policies to achieve multiple objectives.

## **5 CAP and employment**

From the point of view of the Lisbon strategy, the objective of employment is tightly linked to competitiveness. In the context of the CAP, employment is also – and even foremost – a social question. According to Derek Urwin (1991, 185–186), the CAP has been from the beginning of the 1980s a social rather than economic policy, aiming to maintain the agricultural employment, as the industrial and service sector could not absorb the surplus manpower.

The developments in the agricultural labour force are regularly monitored by Eurostat, showing a structural decline (1,5 % in the whole EU), which is especially strong in the Czech Republic, Slovenia, Estonia and Hungary (between 6,1 % and 4,1 %) (Commission of the European Communities 2006a). After the next enlargement (Bulgaria and Romania), the percentage of employed in agriculture will be round 7 % of the workforce.

Studies on the state of European agriculture foresee all a decrease in agricultural employment due to the reforms. A new, but very little studied issue is the growing role of migrant workers in agriculture and rural areas (e.g. Kasimis *et al.* 2003). Multiculturalism is much better covered in urban studies. Moreover, in research, there is no discussion about how the CAP in general promotes the high-level EU objective of employment.

There is a need to invest in the human factor in agriculture and rural areas. The way how work is organised in agriculture changes rapidly as a result of new technologies and increasing labour mobility inside the Community. Immigration has an impact on both the price and quality of labour. Part of agricultural immigrant labour is also illegally in the EU. In addition, European horticulture is very fragile in terms of labour during the harvest. In the southern member state, very small, actually non-enterprise farms are an important political issue that is connected to pluriactivity and general employment in these areas. It should be seriously investigated what kind of (separate) policy these farms would need. The differences in labour use are too much neglected in policies designed according to statistical averages. In eastern member states, low income level in agriculture has an impact on the whole society and causes problems. In these countries a rapid structural change is needed and it should be attractive to leave agriculture. Employment in agriculture should be studied by multidisciplinary approaches, and governed in close cooperation among policy sectors.

## **6 CAP and sustainable development**

The objective of sustainable development, from a social, economic and ecological point of view, is one of the objectives of the EU. However, the EU has been accused of conducting a two-faced policy of sustainable development. EU has been active in some aspects of sustainable development, like in the World Summit of Johannesburg, but it gives member states and individual Directorate Generals within the Commission a great deal of latitude in the choice of policy options to put sustainable development into practice (Baker *et al.* 1997) and it is said the DG Agriculture is not fully sharing the norm of sustainable development (Weale 1996). It is also clear that on the international scene, the union wants to operationalize the concept in such way that it does not damage the competitiveness of the union (Lightfoot & Burchell 2004, Baker 2000).

CAP has unsustainable features from an ecological perspective, but also in a broader sustainability area like trade and development issues due to its protectionist measures, which pose problems to the countries of the Third World in world trade (e.g. Labour Asociados Consulting 2003). In the EU discourse, sustainable development has been strongly linked to the reforms of the CAP and to issues such as rural development, agri-environmental measures, ecological farming or the decoupling of production and subsidies. According to the ESPON (2004) study, it has begun to address the goal of environmental sustainability.

Sustainable development – at least the object of ecological sustainability – remains the objective of the EU that has been studied the most in relation to the CAP, also and even foremost empirically. In research, prior to the 1980s, agriculture's environmental problems were likely to be seen caused by something else than policy. Recently, the critics of the CAP have assumed that the policy has an extensive and deep impact. (Winter 2000.)

In addressing to the state of the research coverage about the CAP and the environment, Brouwer and Lowe (2000) make the following conclusions:

1. There is a northern bias in the research coverage, reflecting the strength of northern European concerns. This is visible in the geographic coverage of the studies, the sectors and systems studied and the problems and issues addressed.
2. There is a strong interest in agri-environmental measures compared to the effects of other elements of the CAP. However, the beneficial effects of the Agri-environment Regulation may be swamped by the environmental impact of the rest of the CAP.
3. Little if any work is being done on the environmental effects of certain commodity regimes (e.g. tobacco and sugar), the other accompanying measures, the horizontal socio-structural measures (e.g. LFAs), regional and rural policy and other measures (incentives for alternative crops, quality and label policy, biomass production, farm diversification).
4. There are biases in the style of research with a tendency towards single country studies, specific policy measures and single disciplinary studies. This leads to a lack of comprehensive studies (except in the case of agri-environmental policy), integrated studies and linkages between agricultural economic analysis and farming system/agro-ecology studies. (Brouwer & Lowe 2000.)

The concept of sustainability has been mainly ecological in the discussion around the CAP. For example the Multagri Project (2005) identified need for a more holistic approach in research, concentrating on the new societal goals of agriculture, and required research about the relation of the social functions of agriculture and social sustainability. The concept of broader sustainability has been present in some research/development projects of the DG Agri, like in the creation of a framework for indicators for the economic and social dimensions of sustainable agriculture and rural development (European Commission 2001a).

In the dialogues the question of how to organise green services was discussed critically. There was some scepticism about the impact of the agri-environmental schemes as to how efficiently the money is used. It was also asked if we have in EU shared values that underpin the public goods provision or is it a policy designed by the agricultural community itself. The public demand for public goods remained unclear after all studies. In Switzerland, 7 % of agricultural land is set aside in order to produce biodiversity – is this the future of some parts of the EU? It was suggested both to study alternative landscapes, also those created without agriculture, and to collect a list of precious European landscapes. The deeper integration of agricultural, environmental and rural dimensions of the CAP inevitably means that links from the CAP to other EU level sector policies must be reviewed and reassessed. Successful rural development, for instance, requires a closer co-operation between the CAP and structural funds. When the environment is concerned, a better reconciliation of environmental objectives and policy-making principles of the CAP and EU's general environmental policy would be a step forward, especially in terms of ecological sustainability.

## **7 CAP and subsidiarity**

Subsidiarity is not an objective but a principle of the EU. According to the subsidiarity principle, matters should be tackled at the smallest possible level of authority. The subsidiarity principle was introduced by the Maastricht Treaty in 1992, and it is also present in the proposed European constitution. The proposed European constitution emphasises the role of regional and local level, besides the Member States, in its definition of the subsidiarity principle.

From the point of view of the CAP, the subsidiarity principle is an important element in the discussion about which should be the more appropriate level to tackle agricultural issues. There is a debate about the possible renationalisation of the CAP (Kjeldahl & Tracy 1994, Gant 1995, Rabinovicz *et al.* 2001, Niemi & Kola 2005) from the perspective of the agricultural decision-making, the funding of the agricultural policy and/or its implementation. The reasoning for the renationalisation of the CAP is linked to the critique of the current subsidising as uneven, non-targeted, unconditional and inefficient, to budgetary pressures, to the heavy administration, to the equitable distribution of subsidies and to the growing role of the local context in a multifunctional agriculture (Niemi & Kola 2005). The reasoning for a common policy is linked to the market unity of the EU (avoiding the distortion of competition) or, for instance, to the bargaining power of the

EU on the international level (Niemi & Kola 2005). One problem with the renationalisation would be the situation of the Central and Eastern European Member States, which cannot afford a same level of resource allocations than the old Member States. This could create economic and market distortions and political tensions. More targeted and efficient use of EU's Structural Funds and regional policy could be an option in such case. As to specific CAP issues and subsidiarity, for example Jank *et al.* (2006) state that according to the subsidiarity principle, the decision-making with GMOs should occur at the regional level.

Besides renationalisation, another discourse linked to subsidiarity is that of regionalisation of the CAP, present especially in French research (e.g. Trouvé *et al.* 2004, Delorme *et al.* 2004). The role of the regional level, augmented since the 1980s, has been linked to the critique of the CAP and to the rise of the subsidiarity principle, with procedures like co-financing and partnership (Trouvé *et al.* 2004, 1). However, the first pillar of the CAP is mostly steered by the EU and the national level, and it is the second pillar where the regional level is more apparent (see Delorme *et al.* 2004, 1). Moreover, the role of the national level is important even in the context of the Rural Development Regulation, especially in countries like France or the United Kingdom (Trouvé *et al.* 2004).

The heterogeneity of EU agriculture was very much recognised in the dialogue discussions. The participants stressed that increasing national flexibility in policy design does not mean the same as re-nationalisation of the CAP. It is possible to have more flexible policies from the national perspective without endangering EU level commensurability of policy-making principles. The need for more flexibility originates from increasing diversity of regional circumstances as well as national and sub-national interests, which result, in turn, from past, on-going and planned EU enlargements. Agriculture related problems of the new member states differ considerably from the ones of the old member states. The funding of the CAP is naturally a decisive factor when national flexibility is increased. The tightening EU budget framework calls for expanding co-financing, which is not necessarily in the interests of the new member states. The issue of subsidiarity has to be tackled in connection to improving the legitimation of the policy. A common market still requires a common policy, where the impact of national vested interests on Community level should be diminished. Following the subsidiarity principle, decisions concerning both policy content and implementation should be taken as close as possible to relevant stakeholders. Policy formation and implementation processes should be transparent and they should be based on open communication.

## **8 CAP and enlargement**

The enlargement of the EU is different from the objectives of cohesion, competitiveness etc., but it can be seen comparable to the objectives of the Union. The CAP and the enlargement have been discussed in several studies. Especially in analyses prior to the enlargement, there are worries about the cost of the CAP in an enlarged EU, and the redistribution of the CAP support is also acknowledged. Another topic is the adaptation of the agricultural policies, structures and institutions of the CEECs. According to Jo Swinnen (2000), there is no single optimal reform path, but reform policies should take into account differences in initial conditions.

The Central and Eastern European Countries are also analysed, for instance, from the point of view of the CAP reforms, in relation to sustainable development or nature conservation, from the point of view of integrated development, subsidiarity and from the perspective of social security systems and demographic development in agriculture market and trade policies or the future of the rural areas. There are also case studies dealing with separate countries and the CAP or with certain commodity sectors. The CAP and the enlargement are also linked to external policy developments, as the existing WTO obligations severely constrain the options available for constructing mutually acceptable accession terms regarding agriculture. Every enlargement round has also brought a more heterogeneous group of EU candidates, increasing the challenge of enlargement. (Burrell & Oskam 2000.)

In the dialogues, it was emphasised that it is the enlargement that affects the CAP, not vice versa. Institutional aspects are crucial in a case of a very detailed and complicated policy as the CAP. As to the legitimisation of the policy, again, equal treatment of new and old member states was asked for. In order to improve policy making, special effort to collect data from the new member states is essential. However, because of inherited political culture, people in those countries may be suspicious about collecting information and do not necessarily cooperate with authorities. The role of research is regarded more neutral.

## **9 CAP reforms**

The reforms of the CAP could be seen as a way in which the policy adjusts itself in conformity with new objectives at the EU level. For example the arriving of sustainable development into the CAP

has been seen as its way to adapt to the requirements of the Treaty of Maastricht (Lowe *et al.* 2002) or the Amsterdam Treaty (Dinan 2004). The guiding principles for the contribution of the CAP to the Lisbon Strategy, 'strong economic performance' that goes hand in hand with the 'sustainable use of natural resources' have, according to the official EU discourse, shaped the recent CAP reforms (European Commission 2006b, European Commission, year missing b).

However, the reforms have mainly been analysed from other perspectives in scientific studies. The main factors behind the reforms that are mentioned include budgetary pressures, the WTO pressures (or more broadly trade liberalisation), the enlargement of the Union, (public) concerns about the environment, rural issues, animal welfare and food safety, the need to refurbish the negative image of the policy (Skogstad 1998) etc. There has been a lively academic debate around the role of the different factors behind the reforms, especially with the MacSharry reforms of 1992 and the role of the GATT/WTO negotiations (see Swinbank & Daugbjerg 2006).

Grace Skogstad (1998) has explained in her article why agricultural exceptionalism (i.e. the special role of agriculture in relation to the state and the market when compared to other economic sectors) and the paradigm of state assistance have remained in the CAP despite policy reform (here, the MacSharry reforms of 1992). Most studies ignore the role of the European Parliament in relation to the CAP. However, Christilla Roedeger-Rynning (2003) states that agricultural change is also linked to the activity of the Parliament, which can steer change by manipulating the formal institutional parameters defining their actions. The Parliament has thus been able to promote key public concerns on the EU farm agenda.

Marjoleine Hennis (2001) has analysed the CAP from the point of view of globalisation and Europeanization in her article. After many years of economic integration, the idea of revising the constitution and organisation of the EU itself has come up, which will also affect different policy fields. The biggest factor behind the change is that Member State preferences have become more orientated to deregulation, trade liberalisation and the support of strong sectors. The new attitude brings the CAP more into line with other policy fields where this view has already advanced. Hennis foresees that this, together with the decline of the corporatist model, will diminish the budgetary strains over the CAP, facilitate the enlargement of the union and diminish conflicts in the EU over agriculture in multilateral negotiations.

From the point of view of the objectives towards which the CAP should be reformed, also studies measuring public opinion are interesting. Gómez-Limón and Atance (2004) showed that ‘public opinion’ does not necessarily support competitiveness as an objective of the agricultural policy, which can create a cleavage between public opinion and the way towards which the CAP is being reformed. A special Eurobarometer survey entitled ‘European and Common Agricultural Policy’ measures regularly public opinions about, for instance, what should be the three main objectives of the CAP. In 2005, there was no specific priority which Europeans would agree on strongly, and social, environmental, food security and competitive aspects were situated high in the ranking. (European Commission 2006a.) Drawing on stakeholder interviews, Helen Nilsson (2004) sets recommendations for the new objectives of the CAP, emphasising rural well-being and nature, food quality, a food price that covers its real costs, a reasonable income for farmers, fair trade, support for employment in rural areas and for rural culture and a shift from benefiting large scale farmers.

In the dialogues, it became clear that the tendency to ‘compensate’ has very much complicated the policy and reforms. Payments are too often seen as a ‘historical right’. Incremental reforms were also found as a problem. There were also doubts about whether research results are, after all, used when making policy reforms. Anyway, there was unanimity about the need of more than one study on a subject. For policy making connected to reforms, interdisciplinary and comparative studies would be needed. Finally, any reform would be much facilitated by research that flags for the future.

## **10 Conclusions**

According to the literature review, research on the CAP, which as such is large and impressive, has mainly been ‘nearsighted’, ignoring the relationship and contribution of the agricultural policy to the larger EU policy or EU integration. The few studies assessing the impact of the CAP on e.g. cohesion or competitiveness and cohesion have been initiated by DG Regional Policy, connected to current planning needs. From the objectives of the European Union, the objective of sustainable development – narrowly understood in an ecological context – is the most covered, although the research dealing with it also suffers from certain gaps and biases. Also in official EU reports, even if a broader element is present in some of the studies, for instance the present evaluation guides and guidelines in the field of the CAP (agricultural market policies/ rural development) do not mention the ‘high’ level EU objectives nor connections to other EU policies (see European Commission,

year missing c). Competitiveness and employment are the key elements of the relaunched Lisbon strategy. The importance of territorial, social and economic cohesion is highlighted by the recent and coming enlargements.

To conclude from both dialogues, policy making could benefit more from better focussed research. The impact of the present policy is not known well enough in order to formulate new policies. Existing research results should be gathered and available as summaries for policy makers. Studies with a European and interdisciplinary perspectives would be useful, too. Comparable European data is a prerequisite – at the moment, data below NUTS2 is hardly available. Diversified farms are poorly found in statistics. Models are in principle needed, but they should reflect the reality better in order to be useful. Not only politicians and civil servants responsible for the policy making, but also researchers should have a future orientation, since research is often too slow for the needs of policy.

The SASSPO Policy Dialogues are examples of deliberative procedures that have been introduced in different policy fields. Deliberative procedures are linked to the rise of the ‘stakeholder’ ideology and to new forms of governance, which include not only the public sector but different actors representing the market and the civil society (Kjaer 2004, Scharpf 1999). The ideal of deliberative democracy is not based on bargaining among different interests, but to the listening of the views of other people, to mutual understanding and to the seeking for consensus (Habermas 1984). A broad range of stakeholders is seen as a way to tackle difficult and multifaceted issues, as participants from different backgrounds can provide different kinds of information on the subject.

In the context of the CAP, the range of stakeholders is relatively broad, covering for instance farmers, environmentalists, rural interests, food industry, pesticides industry, consumers, inhabitants and other ‘users’ of the countryside, politicians, officials and researchers working with the CAP, different Member States and different levels of administration. Broadly understood, the CAP affects society at large, also in third countries.

The participants in the Helsinki dialogue felt that there is definitely a need for an arena where various stakeholders, experts and decision-makers can exchange views and information. The arena should be established outside the ordinary structure, however, used in connection to formal discussion in the current political debate. The timing of such dialogues is crucial. The participants in the Hague dialogue agreed that there is definitely a need for an arena where various stakeholders, experts and decision-makers can exchange views and information. However, some participants

were of the opinion that the discussion should be more focused, while others would have preferred including e.g. more disciplines (biotechnology, agronomy, application and innovation) and less policy focus. In addition, the even involvement of all kinds of stakeholders, in particular that of NGOs was underlined. Future-orientation would be an important feature of a policy dialogue of this kind.

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