

THE CAP AND THE EU BUDGET

Options for the CAP in the new financial framework

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–Iniziativa realizzata con il contributo dell'Unione Europea, DG Agricoltura e Sviluppo Rurale
–Gli articoli e i contributi ai convegni Agriregionieuropa rappresentano il pensiero dei singoli autori e relatori.
–Essi non riflettono in alcun modo la posizione dell'Unione Europea.



Issues to be negotiated

- ▶ CAP funding in the next financial perspective 2014-2020(3)
 - ▶ The level of total EU budget
 - ▶ The share for CAP in total budget
- ▶ Funding for CAP Pillar 1 and 2
 - ▶ Changes of CAP mechanism:
 - ▶ Direct payments and rural development policy
 - ▶ Distribution between CAP Pillar 1 and 2
- ▶ Allocation per member states (MS)
 - ▶ General MS net budgetary position to the EU budget
 - ▶ Net budgetary position to the CAP
 - ▶ Net budgetary position for CAP Pillar 1 and 2



Objectives and content

Objective:

- ▶ to discuss potential outcome of negotiations
 - ▶ political economy approach
 - ▶ simulation model of EU budget (scenario analysis).

Content:

- ▶ Theoretical frame
- ▶ Analysis of actors and driving forces
- ▶ Scenarios
- ▶ Some model results
- ▶ Conclusions (speculations).

Theoretical frame

Policy models and discourses



- ▶ How to understand CAP and budget decision making process?
- ▶ Political economy approach elaborated on heuristic approach:
 - ▶ Policy models and discourse analysis
- ▶ **Actors / multi-level bargaining and games:**
 - ▶ CAP decision making as three level bargaining, EU, MS internal, EU – extern world. CAP as vertical and horizontal games. The growing importance of EU institutions.
- ▶ **Paradigm shifts:**
 - ▶ CAP shifts are results of new public preferences and external drivers, authority presence of charismatic leaders. MacSharry and Fischler reforms.
- ▶ **Legacies: path dependency:**
 - ▶ Past decisions influence the actual. No return to previous policies. From price support to de-coupling.
- ▶ **Discourse:**
 - ▶ HYBRID perception of problems, legacies (neo-mercantilism, neo-liberalism, multi-functionalism): no clear strategy, pragmatic, real-politik approach.

Analysis

Actors – MS positions

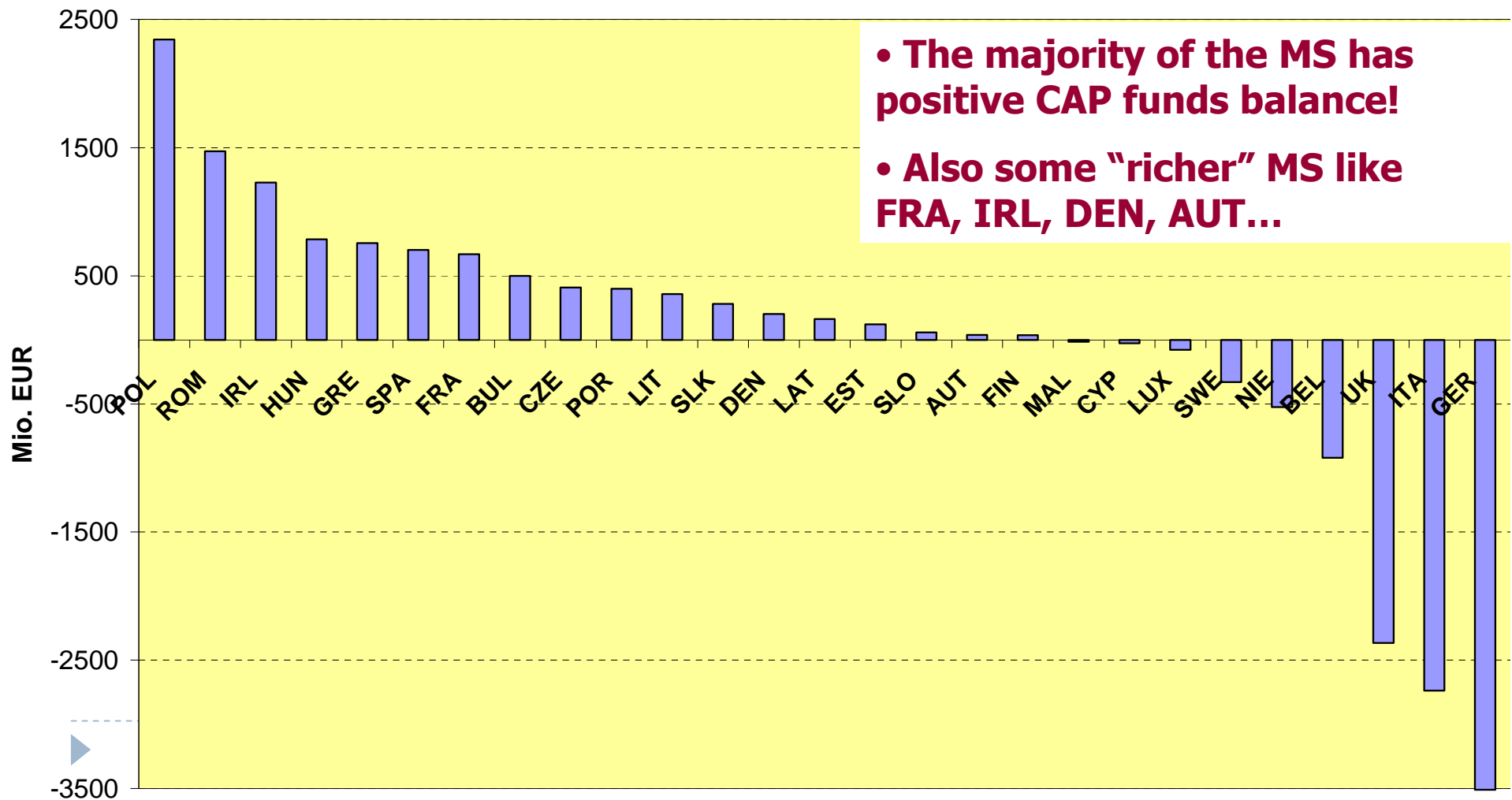


- ▶ Decision based on multi-lateral negotiations between the EU internal actors
- ▶ **8 reform-oriented MS** (anti-CAP “Stockholm club”)
 - ▶ UK (prices, budget), Den, Ned (budget, efficient producers)
 - ▶ Swe, Est, Lat, Cze, Slk (budget, liberal orientation)
- ▶ **7 conservative MS** (pro-CAP)
 - ▶ Fra, Irl (budget, policy power, farm interests, market), Ben, Lux (farm interests, benefits from EU institutions), Spa, Por, Gre (budget)
- ▶ **12 ‘swinging’ MS** (changing sides, Government, person-specific, or opportune)
 - ▶ Closer to reform oriented (Ita, Hun, Lit)
 - ▶ Closer to conservatives (Ger, Pol, Aut, Fin, Slo, Mal, Cyp, Rom, Bul)
- ▶ Power relations - Anti-CAP: Pro-CAP; 2009: **11: 16 (5 : 22?)**
- ▶ **Commission** is mostly conservative in general approach and budget, but more reform oriented in instruments.

Analysis

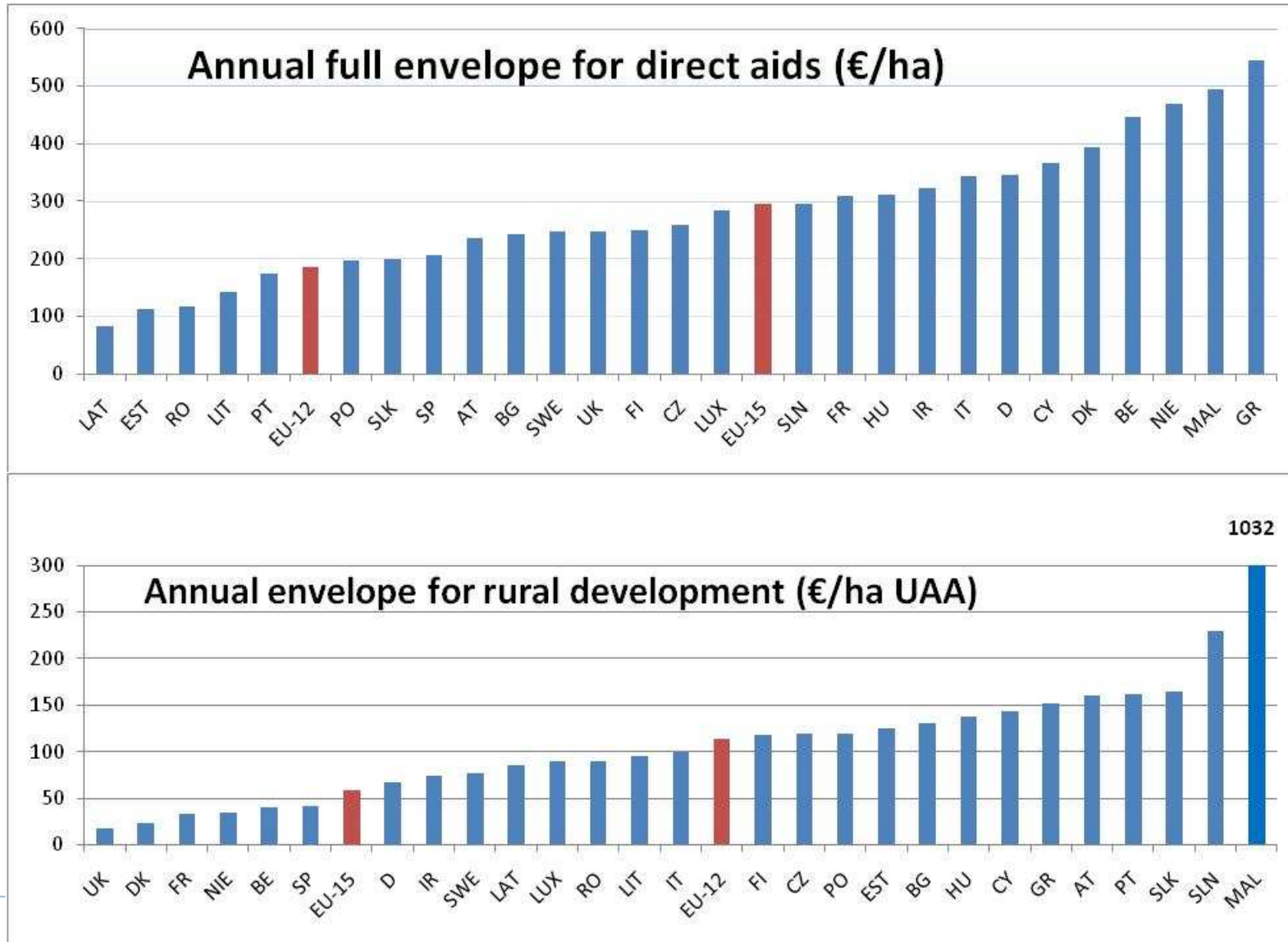
MS “just retour” mentality

CAP budget net balance (Rant, Erjavec, 2008)
(annually, 2007-13, € million)



Analysis

Distribution of direct payments and RD per MS



Analysis

Actors – MP positions (blocks)



- ▶ **Net payers position** (D, F, UK, NL, S):
 - ▶ No increase, but reduction of EU budget
 - ▶ CAP/British rabat deal already made?
 - ▶ Sacrificing Cohesion against CAP?
- ▶ **'Friends of CAP'** (22 agri ministers)
 - ▶ CAP should remain the key policy for food security and provision of public goods
 - ▶ Growing sectoral orientation, invention new wording
- ▶ **'CAP reformers'** (UK, S, NL)
 - ▶ Abolishment, or strong reduction of Pillar I
 - ▶ Reduced criticism
- ▶ **'Friends of Cohesion'** (NMS without Slo, Mal)
 - ▶ 'Fair distribution' of direct payments, equal payments per ha (growing for NMS, decreasing for EU15), but less for CAP in general
 - ▶ Defending Cohesion policy



▶ **European Commission:**

- ▶ No criticism of CAP in EU budget review (*political pragmatism*).
- ▶ Reforms of CAP mechanisms to defend minor changes in budget (*speculation*)
- ▶ For real reforms charismatic leaders necessary:
 - ▶ historical conflicts too strong, political leaders too weak
 - ▶ without authoritative guidance from EC, only pragmatic and no paradigmatic changes are possible...

▶ **European parliament**

- ▶ Co-decision procedure as important new element.
- ▶ EP: strengthening of conservative or reform block?
- ▶ Conservativ approach is prevailing!

Theoretical frame

Reform driving forces



- ▶ **Budgetary limitations** (EU and national, agricultural and total)
- ▶ **Farm income** preservation and **distribution pressures**
- ▶ Pressures to make **common decision** in the time
- ▶ **International trade disputes**
- ▶ **Economic trends and impacts** (food crisis, economic crises)
- ▶ **Public opinion** (environment, climate change)
- ▶ CAP reform drivers (adjusted Petit approach):

Analysis

Reform drivers



▶ ***Budgetary limitations***

- ▶ MS budgetary deficit could have a strong impact on budget for CAP! Crisis is also asking for EU interventions in new fields. Opposite effect than expected!

▶ ***Farm income preservation and distribution pressures***

- ▶ The expected growing farmers pressures for income support could limit the reforms in the direct payments and budget.

▶ ***Pressures to make common decision in the time***

- ▶ The conservative forces in majority, reforms in defence positions..

▶ ***International trade disputes***

- ▶ WTO as a standing pressure as a “sword over CAP head”. No new market interventions and no more coupled direct payments.

▶ ***Economic trends impacts***

- ▶ Economic crisis supports a strong CAP! Long recovery after economic crisis could limit resources for CAP.

▶ ***Public opinion***

- ▶ Climate change, energy security, environmental concerns will influence the argumentation and mechanism. But also support the CAP budget.
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Scenarios 2014-2020: Budget changes through CAP mechanisms



- ▶ Many scenarios could be determined.
 - ▶ **Baseline scenario**
 - ▶ I. Pillar - the level in 2002 (Chirac - Schroeder agreement) with nominal increase (1 % p.a.).
 - ▶ Financial discipline for direct payments and market intervention. Increase of DP for ROM and BG.
 - ▶ Market interventions are reduced to 50 % level of 2013.
 - ▶ Rural development funds like in 2013.
 - ▶ **Reform scenario**
 - ▶ DP are gradually reduced to the level of 100 EUR/ha UAA.
 - ▶ Market interventions are reduced to 50 % level of 2013.
 - ▶ RD like in 2013. Increase for 50 % for measures for axis 2 (environmental and landscape DP)
 - ▶ **Method**
 - ▶ Simulation model of EU budget (Rant et al. 2008)
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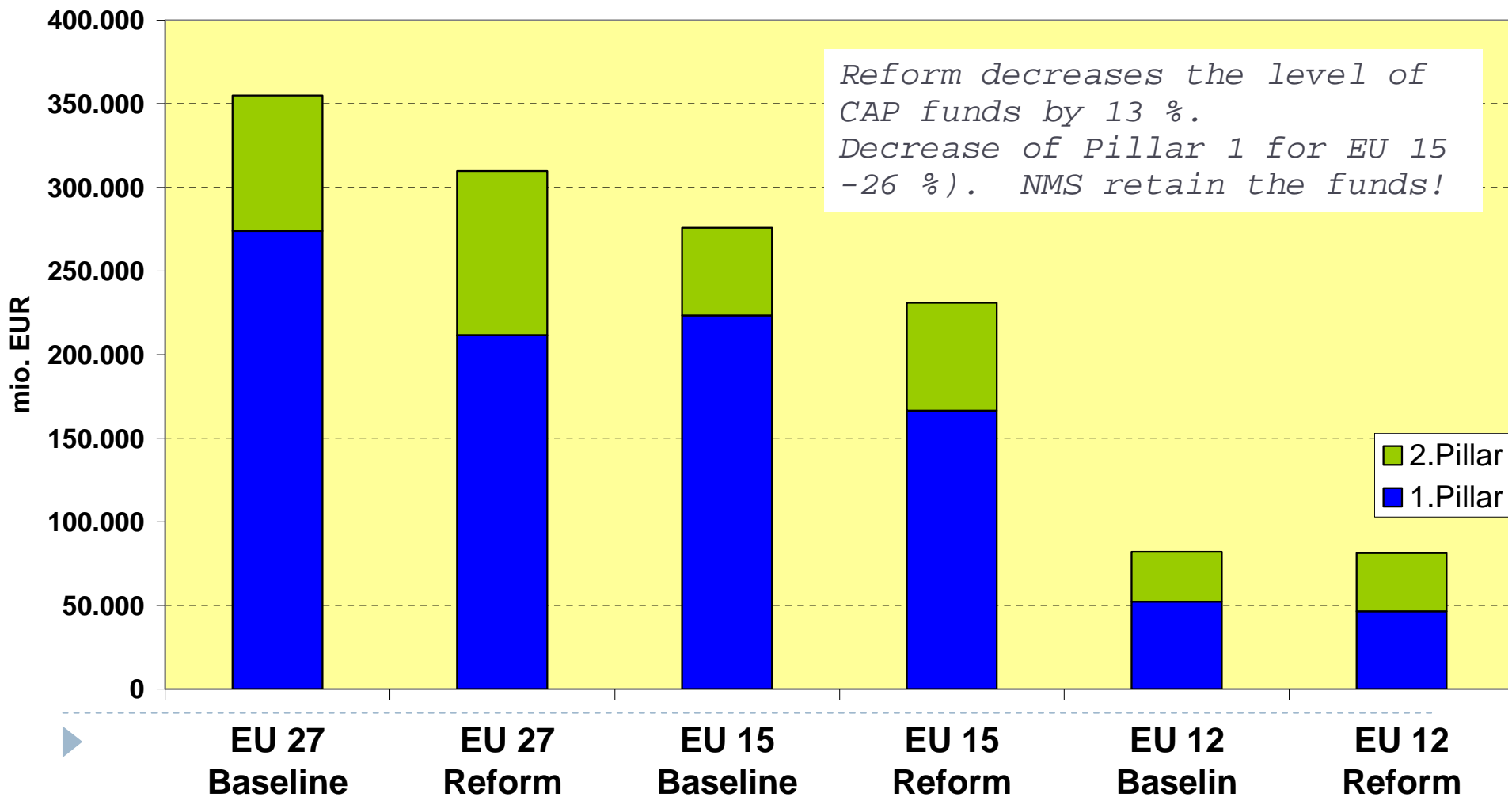
Scenarios 2014-2020

Results – CAP budget total



CAP budget inflows by pillars

(2014-2020, € million)



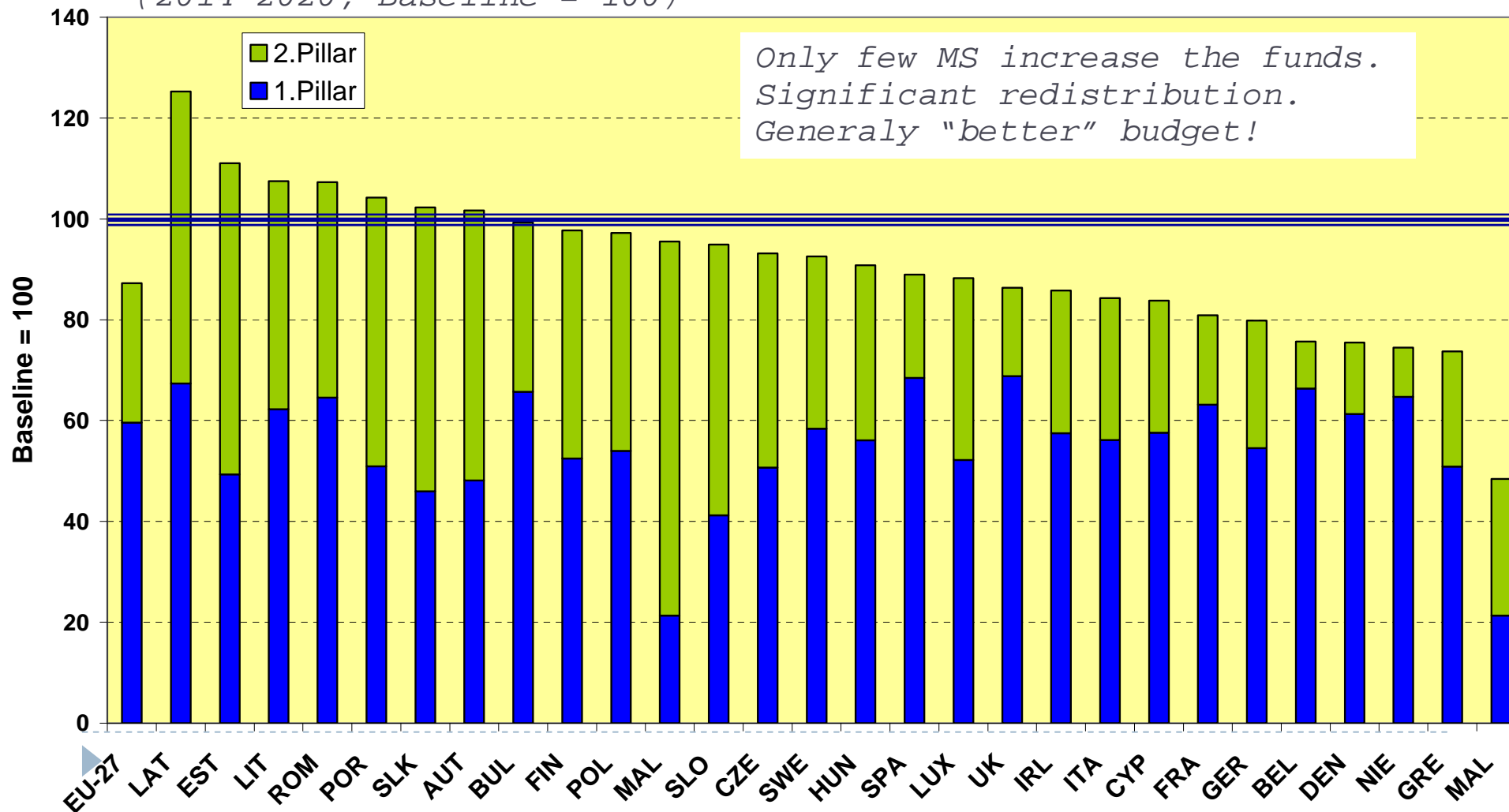
Scenarios 2014-2020

Results – per MS



CAP budget inflows by pillars

(2014-2020, Baseline = 100)



Budgetary options

Hypothetical frame of changes



- ▶ **Conservative** CAP option (FR- EC):
 - ▶ *Level of CAP funds:* status quo to +5 %
 - ▶ *CAP 1: 2 Pillar: funding:* 70 % : 30 %
- ▶ **Radical reform** CAP reform option (UK-PL)
 - ▶ *Level of CAP funds* - 33 %
 - ▶ *CAP 1: 2. Pillar funding* 50 % : 50 %
- ▶ **Adjustment** - compromise CAP option (GER)
 - ▶ *Level of CAP funds* - 10 %
 - ▶ *CAP 1 : 2. Pillar funding:* 60 % : 40 %

Conclusions



– speculation on final outcome

- ▶ CAP funding in the next financial perspective
 - ▶ Total EU budget: not more than in the existing period
 - ▶ CAP total: slight reduction (if...)
- ▶ Funding for CAP Pillars 1 and 2
 - ▶ Pillar 1: - 5-10 %
 - ▶ Pillar 2: + 20 - 25 %
 - ▶ Depends on tactics in negotiations
 - ▶ Slow gradual change to these values?
- ▶ Allocation of CAP funds per member states (MS)
 - ▶ Constructed objective criteria for distribution!
 - ▶ +- 3 % similar net position in total budget
 - ▶ +- 5 % net position CAP
 - ▶ 1. Pillars: gains for NMS (DP)
 - ▶ 2. Pillars: gains for OMS (AEM)