



TOWARDS A MORE INTEGRATED RURAL POLICY FOR EUROPE: THE NEXT REFORMS OF THE CAP

■ The Role of Land Managers

The European Landowners Organisation (ELO) represents the interests of the private owners and managers of rural land in fourteen EU member states and maintains regular contacts with associations in Central and Eastern Europe. The role of land managers is critical for the viability of the rural economy and rural communities, in the stewardship of rural resources of soil, water and air and of the rich biodiversity and huge variety of landscapes found in rural Europe. The economic, social and environmental health of Europe's rural areas is affected by a wide range of national governmental measures. However, the single largest EU policy, the Common Agricultural Policy (CAP) also has a very important impact on the wellbeing of the rural world. This paper is the ELO's contribution to the debate launched by the European Commission leading up to the mid-term review of the Agenda 2000 reforms of the CAP which will be underway in 2002.

■ Internal EU pressures for CAP reform

It is clear to the ELO that the CAP is not well adapted to the demands of the 21st Century. The policy has not sufficiently adjusted from its mid-20th Century focus on productivity and security of supplies to reflect current concerns with food quality and environment. Whilst food production is, and will always be, the prime task of agriculture, European society demands a great deal more from its rural areas. This is encompassed by the concept of "multifunctional land management". This reflects that land managers

contribute to society not only by producing food and fibre, but also by supplying environmental and cultural landscape services. Their social role is also of great importance.

The ELO therefore wishes to steer the CAP towards a more integrated rural policy which acknowledges and supports the food, forestry, energy, recreational, social, environmental and cultural landscape roles of land management in a more balanced way. This can be characterised as a switch in emphasis from producers to land managers. Such a switch is even more necessary following the damaging effects of the recent breakdowns in farm animal health. It is now a vital task for land managers and governments together to work to restore public confidence.

These issues constitute the internal pressures for reform of the CAP. Alone they create a formidable task. Yet the challenge faced is considerably more complicated by two further considerations - Eastern Enlargement and multi-lateral trade negotiations under the WTO.

■ Eastern Enlargement

The ELO welcomes the Eastern Enlargement of the EU. Landowners see this political development as a further cementing of the fundamental principles of market democracies. In particular it represents an affirmation that the most effective way for society to deliver food and raw material, as well as to manage the countryside to deliver rural environmental services, is through a decentrali-

sed market-based process based on the private ownership and operation of land. Furthermore, the ELO expects that, after suitable transitional arrangements, the new member states will wish to enjoy, the same agricultural and rural policy as applies in the EU-15. To the extent that this entails additional budgetary cost, this must be borne fairly by all of European society and not disproportionately by any one sector alone. ***The political and economic benefits of enlargement, the freedom, peace, democracy and development will be enjoyed by all, so the costs of achieving it must be borne by all.***

■ The WTO

The ELO broadly supports the EU approach to the next round of multilateral trade negotiations under the WTO. We are particularly concerned with three issues.

- First, ***non-trade concerns***, it is vital that a satisfactory resolution is found to the threat that EU standards on health, safety, animal welfare and environment are undermined by imported produce not respecting these standards. There is no single resolution to this problem, an internationally acceptable combination of approaches based on harmonising standards, import controls, consumer information, and compensation must be developed.
- Second, on ***domestic supports***, a combination of appropriate re-definitions of the Blue and Green boxes, and changes to the basis of supporting EU land managers through targeted, transparent, minimally trade-distorting, payments for the creation and maintenance of environmental and cultural landscape services must be established as an enduring part of internationally acceptable rural policy. Also, trade liberalisation must not undermine animal welfare. To provide the necessary time to

achieve these goals it will be necessary to renew the Peace Clause.

- Third, and not yet established in the WTO agenda, it is necessary to find a more rational and predictable framework for provision of ***safety nets*** for agriculture. Farming is more exposed than most sectors to the uncontrollable forces of nature, especially disease, markets and climate. The latter is expected to involve a greater frequency of extreme events. The provision of such safety net mechanisms is overtly a major part of US farm policy and is implicitly part of the justification for EU Blue Box payments. It would be helpful if this issue is dealt with more overtly as part of any new round.

■ The broad directions of CAP reform

Given these domestic, enlargement and WTO pressures for reform and taking note of the general debates of the past six years, future reforms will involve the following elements.

- i ***Decoupling*** of the main agricultural supports from current production
- li Redirecting support towards paying for public environmental services, by ***degressivity or cross compliance*** or a combination
- iii ***Redistribution*** of income support by modulating by farm size
- iv ***Simplification*** of the CAP
- v ***Reductions in export subsidies***
- vi ***Increasing import access***
- vii Stimulating ***rural development***
- viii Developing more secure ***safety net mechanisms***

Action on all of these elements except the third, modulation, is accepted by the ELO. Furthermore, we believe that supply management will continue to have a declining role in the new integrated rural policy.

■ The ELO's preferred options for CAP reform

To effect the necessary rebalancing of CAP objectives and instruments, the ELO advises first that, given the fragmented structure of agriculture and that land and nature management requires a sensitive approach, rapid, unannounced, changes in policy are undesirable. Second, if society has encouraged investment and particular business structures by one policy, then a change in policy justifies that those affected are compensated to help them adjust to the new system. Third, in the context of the European single market, a common approach and framework for rural policy is essential to restrict the possibility of unfair competition arising from national rural support measures.

Domestic and international legitimacy for the CAP requires further ***decoupling of supports from agricultural production*** at the same time that there is a ***recoupling of supports to the provision of environmental and cultural landscape services***. The ELO considers that a very large part of existing support through the CAP can be justified as the necessary price society is willing to pay to land managers who sign up to maintain the countryside and provide the biodiversity, habitat protection and enhancement and cultural landscapes that our urbanised society demands.

This switch in the basis of payments could, in principle, be achieved by fund switching from Pillar 1, direct commodity payments to Pillar 2 schemes under the Rural Development Regulation (RDR) through degressivity or modulation, or by applying environmental conditions to the receipt of remaining direct payments (Cross Compliance (CC)). These approaches are not mutually exclusive.

However, the ELO believes that certain principles must be observed in applying these changes. First, the fund switching must be done on an agreed uniform basis across the EU. Second, the ELO prefers the approach in which society contracts land managers to supply environmental services through purpose-built schemes. The cross compliance route must be seen as a second-best, transitional arrangement, and then only to achieve compliance with basic resource protection.

The aim of these approaches is two-fold. The first is to persuade citizens - especially taxpayers - of the integrated nature of farming and nature and landscape management and that without support along these lines treasured landscape and habitats will be lost. The second is to engage the interest of the maximum number of land managers in the idea that enduring receipts from the public purse must, in future be justified by the delivery of desired public benefits.

Redistribution of support will, inevitably, be an outcome of the changes in emphasis brought about by the measures summarised above. This is accepted. However, it is reasonable that those whose income suffers from the withdrawal of payments are given a transition or adjustment period during which payments are gradually reduced. This enables them to adapt their business to the new policy. ***The ELO insists on the principle of competitive neutrality, it does not support explicit schemes to modulate or differentiate either the receipt of payments or the reduction of existing payments based on crude measures like farm size or receipts of particular payments.***

Simplification of the CAP is indeed highly desirable. The successive building of layer upon layer of complexity in the common market organisations and other aspects of the

CAP since 1968 has imposed its own cost. Thus steps to simplify CAP regulations are generally to be welcomed. The divorce of the payments from current production is also a welcome and necessary step towards decoupled payments. However, simplification can never be a prime objective of legislation. Its place is as a secondary consideration concerning the cost effective and proportionate administration of regulations justified in their own right to achieve given, stated, purposes. There are dangers when simplification is wedded to superficially attractive ideas, like helping the 'small' farmer, that the result is indeed simple but difficult to justify.

Given that European agriculture has an important role in international markets, the ELO supports the EU participation in international negotiations **to reduce export subsidisation and increase import access**. Such support is, of course, subject to the qualifications that they are part of a balanced multilateral trade liberalisation, and provided that the non-trade concerns are adequately addressed.

Stimulating rural development is an extremely important part of the new rural policy. It is a vital element to underpin the economic viability of rural communities. Rural development actions, of course, include those to stimulate agricultural development particularly by promoting greater value-added by raising quality and by assisting primary producers to get a larger share of consumer food expenditure by more effective marketing. Rural development outside agriculture is also vitally important for the viability of the land-based rural economy. In the long run, it does not help farmers to insist that the Common Agricultural Policy - which really should be renamed a Common Agricultural and Rural

Policy - is restricted only to agricultural measures.

Developing more secure safety net mechanisms. The CAP reforms since 1992 have exposed EU agriculture to greater market price volatility. Simultaneously, there has been an increased frequency of incidents of other uncontrolled events - principally animal disease, and global climate change is bringing more frequent extreme weather events (notably floods). Whilst the first responsibility to deal with risk management lies with individual land managers themselves, there are grounds which justify a significant role for the collective action. A stabilisation function has been an acknowledged part of the CAP since its inception, and this role is also a dominant feature of current US farm policy. The ELO urges the Commission to give more explicit attention to this issue in discussions of further reforms of the CAP.

■ In summary

The ELO sees the current debate on the future for the European food system and the principal policy which drives it as a tremendous opportunity for land managers. European citizens want and are prepared to pay for high quality food produced in a high quality rural environment which sustains a vibrant rural economy. The CAP is in danger of becoming an instrument impeding the delivery of this vision. Yet with appropriate rebalancing of the priority given to the objectives of the CAP and a corresponding rebalancing the resources devoted to the available instruments, a better integrated European rural policy could make a major contribution to delivering this vision. ■