From a Centralised to a Diversified Common Agricultural Policy in the Light of Liberal Intergovernmentalism Theory

Abstract

The aim of this study was to identify the circumstances in which the Common Agricultural Policy, once the most centralised policy in the EU, changed, after 2013, into one which is the most decentralised and diversified. The following hypothesis was put forward that the introduction of significant flexibility in the CAP reflects the search by Member States for the most effective ways to identify and implement their own preferences on the EU forum. The research was conducted from the perspective of the liberal intergovernmentalism theory based on a critical analysis of the respective literature and the applicable strategic documents and regulations. In the study, a large heterogeneity of agricultural sectors in the EU has been shown, resulting from several enlargements of the EU. Consequently, it has led to an increasing diversification of national preferences, significantly affecting the shape of the CAP reforms proposed on the EU forum. Other important drivers influencing the changes in the CAP were the introduction of a co-decision procedure in the area of agriculture, along with the increasing impact of Member States on the decision-making process since the economic crisis of 2008–2009. As a consequence, EU budget negotiations have been dominated by narrowly-defined sectoral and national interests. The concentration of Member States on an acceptable net position contributes to maintaining the status quo in terms of the expenditure part of the EU budget or its reduction. Thus, there is a risk that the deficit of European integration in areas assuming the distribution of costs and benefits between Member States may have a negative impact on the future of the EU.

Keywords: Common Agricultural Policy, European Union, Differentiated Integration
Introduction

The origin of the recent changes in the internal political landscape of individual Member States and their consequences for the effective functioning of the European Union (EU) have forced the asking of questions about the future of the European integration project and EU policies, including the Common Agricultural Policy (hereinafter, “the CAP”). Since the beginning of its existence, the CAP has traditionally functioned on the basis of a top-down approach and left little room for individual Member States’ own initiatives. External conditions initiated in the 1990s resulted in changes to the CAP. However, they were implemented very slowly. In subsequent reforms, there was a clear dependence on path dependency, i.e., when choices made in the past determined the current choices regarding the shape and financing of the EU agricultural policy (Kay, 2003).

One may wonder why the CAP has gone from being a homogeneous policy to being so differentiated with the 2013 reform, resulting in the introduction of considerable flexibility in shaping Member States’ agricultural policies; to what extent national preferences of individual Member States played a role in the process, and which drivers influenced the formation of those national preferences.

The starting point for the presented considerations was the theory of liberal intergovernmentalism (hereinafter, LM). Despite the weaknesses of this theory (Gagatek, 2018; Kleine, Pollack, 2018; Tosiek, 2018), as revealed during various crises which have affected the European Union (eurozone problems, migration, and Brexit, among others), it offers important insights concerning the essence of European integration. Taking into account the current changes in the EU and the doubts concerning whether they are heading towards greater integration or disintegration, LM theory may be a valuable basis for conducting empirical research related to the EU’s agricultural policy.

The key to understanding LM theory is the belief that rational individuals and groups with autonomous and diverse interests influence the state that acts on their behalf in the international arena (Moravcsik, 1993). The groups constantly compete for influence over the state, and the victorious actors in this internal struggle determine the preferences that the government implements in cooperation with other states. Thus, the state specifies its goals through intergovernmental negotiations. It is also assumed that the state is rational in its actions, as it determines the suitability of alternative ways of acting and selects those maximising (or satisfying) its usefulness in any given circumstances. According to
Moravcsik (1993), to analyse the effects of integration, it is necessary to divide those effects into three separate stages, each of which is based on separate explanatory theories, i.e., (1) the aggregation of national interests into integration-related preferences, (2) distributive negotiations between governments to implement the abovementioned preferences, and (3) the creation or adaptation of institutions to secure the implementation of the agreements obtained.

The justification for undertaking the research was the recognition of the existing research gap in the assessment of the effectiveness of the CAP in connection with the national preferences of the Member States, and, in turn, their translation into the EU decision-making process, which finally determines the shape and financing of this policy. Taking into account the perspective of liberal intergovernmentalism, the aim of the study was to identify the circumstances of the significant change in the CAP after 2013, which, having a dominant share in the EU budget, has changed from the most centralised policy to one that is the most decentralised and diversified. The following hypothesis was put forward – the introduction of significant flexibility in the CAP after 2013 reflects the search by Member States for the most effective ways to identify and implement their own preferences on the EU forum. The first part of the article shows the diversity of the agricultural sectors and policies in the EU affecting the differentiation of national preferences. In the second part, changes in the decision-making process strengthening the role of Member States are indicated. The final part discusses the forcing of national preferences in the process of intergovernmental negotiations on the basis of game theory.

The starting point for formulating the hypothesis was a critical analysis of the literature and the applicable strategic documents and regulations. Elements of the diagnostic approach (a description and assessment of the existing solutions) and the prognostic approach (an outline of proposed changes to the existing solutions) were also used.

The Diversity of Agricultural Sectors and Policies in the EU

According to Eurostat data (2022a), in 2020 there were 9.1 million farms in the EU, of which 2.9 million (approx. 31.8%) were in Romania. Next in terms of the number of farms, there were Poland, Italy, and Spain. In the case of Romania, 90.3% of farms were smaller than 5 ha. Farms below 5 ha were also numerous in Malta (96.6% of the total), Cyprus (87.5%), Greece (74%), Portugal (73.4%), Croatia (70.6%), Hungary (64.9%), and Bulgaria.
Larger farms (50 hectares or more) were much more common in Luxembourg (52.7%), France (46%), Finland (33.3%), Germany (31.5%), and Denmark (30.9%). Farms in the EU are also highly diverse in terms of agricultural production. In many Mediterranean countries (Spain, Italy, Greece, and Cyprus) as well as in Finland, specialised crop production dominated (more than 70% of all Mediterranean farms), while in parts of North-West Europe (Ireland, Luxembourg, and the Netherlands) and Austria, specialised livestock production dominated (more than 50% of all North-West Europe's farms). On the other hand, in Croatia, Lithuania, and Romania, more than 25% of farms were mixed farms. In the case of Poland, farms up to 5 ha accounted for 52.1% of all farms in 2020, while farms with an area of 50 ha and more accounted for 3%. The main directions of agricultural production of Polish farms are crop production (43.6%) and animal production (55.8%) (GUS, 2021).

Member States' share of total EU agricultural production also varies significantly, reflecting differences in the volume produced, the prices received, along with the types of crops grown, animals reared and services offered. More than half (57.8%) of the total output value of the EU agricultural sector was generated in 2021 by the so-called “big four”, i.e.: France (EUR 82.4 billion), Italy (EUR 61.2 billion), Germany (EUR 59.2 billion), and Spain (EUR 59.2 billion). The next group of Member States was the Netherlands (EUR 30.6 billion), Poland (EUR 27.9 billion), and Romania (EUR 21.1 billion). Thus, three-quarters (75.5%) of the total value of EU agricultural production in 2021 came from seven Member States (Eurostat, 2022b).

Successive enlargements of the EU with new Member States, particularly in 2004 and 2007, caused increased heterogeneity of agricultural sectors in the EU. The differences in agriculture between the EU and Central-East European Countries were presented in many studies, including those by Swinnen (2000), Pouliquen (2001), and Nello (2002). A good picture of EU agricultural sectors after seven enlargements is visible in Figure 1, which shows the number of farms and their standard output (expressing the economic size of agricultural farms) in the EU-27 countries.

The heterogeneity of the agricultural sectors in the EU contributes to the increasing diversity of national preferences of individual Member States. They are usually determined by the structure and size of the sector in a given country along with its competitiveness on the international area. To examine national preferences, the achievements of the public choice theory are most often used, whose important field is the study of the activities of interest groups and their impact on the functioning of the economy and the state (Olson, 1971). The groups seek to influence
political choices in order to maximise their usefulness, i.e., to create legislative decisions that are favourable to them and to receive as much money through public funds as possible, an activity known as “rent-seeking” (Wilkin, 2009). This phenomenon indicates the presence of many shortcomings and imperfections in the allocation of resources in the conditions of political choices, wherein the benefits of selected interest groups are maximised, resulting in a permanent loss of social welfare. As a consequence, the allocation of goods and services through the state is permanently inefficient in relation to the market mechanism (Czyżewski, Kulyk, 2013).

The deepening diversification of the national preferences of individual Member States has significant implications for the EU’s decision-making process. During the consensual style of decision-making in the Council, there are numerous contestations, resulting in a significant number of “no” or “abstain” votes. According to research by Bailer et al. (2014), the share of contested decisions in the area of agriculture between May 2004 and December 2008 averaged 10% (from 0% for Slovenia to 24% for the UK and Denmark). The nationally determined preferences of Member States affect the bargaining space for agreements that have a chance of being adopted at the international level. Malang and Holzinger (2020), while analysing the differentiations in new CAP legal acts from 1993 to 2012, found that the more sectoral expectations within the country grew,
Table 1: Thematic Coverage of Eco-schemes in 28 Strategic Plans for CAP 2023–2027

<table>
<thead>
<tr>
<th>Issue</th>
<th>No of Member States</th>
<th>Member States addressing the issue through at least one eco-scheme</th>
</tr>
</thead>
<tbody>
<tr>
<td>“Biodiversity” (protection or enhancement), landscape features, non-productive areas</td>
<td>25</td>
<td>All Member States except AT, RO, and SE</td>
</tr>
<tr>
<td>Carbon sequestration/carbon farming</td>
<td>8</td>
<td>CY, DE, DK, ES, HR, LT, NL, PL</td>
</tr>
<tr>
<td>Integrated pest management/pesticide management</td>
<td>11</td>
<td>BE-FL, CY, DE, HU, LT, SK</td>
</tr>
<tr>
<td>Nutrient management</td>
<td>12</td>
<td>BG, CY, DK, FI, HR, HU, IE, LU, LV, PL, SI, SK</td>
</tr>
<tr>
<td>Precision farming</td>
<td>6</td>
<td>BE-FL, CZ, EL, IE, LV, SE</td>
</tr>
<tr>
<td>Permanent pastures –extensification and maintenance</td>
<td>12</td>
<td>BE-FL, BE-WA, BG, DE, ES, HR, IE, LT, LV, NL, PL, SI, SK</td>
</tr>
<tr>
<td>Permanent pastures –maintenance only</td>
<td>12</td>
<td>BE-FL, CZ, DE, DK, El, FI, FR, HU, NL, PT, SI, SK</td>
</tr>
<tr>
<td>Soil conservation practices</td>
<td>26</td>
<td>AT, BE-FL, BE-WA, BG, CY, CZ, DE, DK, EE, EL, ES, FI, FR, HR, HU, IE, IT, LT, LU, LV, MT, NL, PL, RO, SE, SI, SK</td>
</tr>
<tr>
<td>Organic farming</td>
<td>12</td>
<td>BE-FL, BG, DK, EE, EL, FR, LT, LV, NL, PL, PT, SE</td>
</tr>
<tr>
<td>Animal welfare/anti-microbial resistance</td>
<td>8</td>
<td>AT, CY, IT, LT, PL, PT, RO, SK</td>
</tr>
<tr>
<td>Other</td>
<td>6</td>
<td>BE-FL, CY, DE, HU, LT, SK</td>
</tr>
</tbody>
</table>


the higher the level of exemptions from EU law could be obtained. The aforementioned authors demonstrated at the stage of negotiations in the Council of EU Ministers a strong impact of the economic bargaining strength of the Member States on differentiations in EU law. In their research, those countries that were economically stronger and applied high levels of protectionism to the domestic agricultural sector also achieved more exemptions from the existing law for their farmers.
Since both treaty revisions and accession treaties require unanimous intergovernmental agreement and ratification by all Member States, heterogeneity and conflict can cause deadlock in intergovernmental negotiations. According to Schimmelfenning (2018), differentiated integration is an opportunity to get out of this impasse, allowing Member States to cooperate at different levels of integration that suit their preferences and capabilities. This is particularly visible in the CAP 2014–2020, when significant opportunities were introduced to choose the applied agricultural policy instruments adapted to the specificity of the agricultural model in individual Member States. The process was deepening with the next reform of the CAP for 2023–2027, according to which Member States were obliged to create the so-called “strategic plans” tailored to the needs of their agriculture. Table 1 shows the differences between the agricultural policies of EU countries in only one instrument: eco-schemes. These are mandatory in all Member States, but countries can choose the scope and means of implementation.

Changes in the Decision-making Process Strengthening the Member States

It is no stretch to say that one of the most important drivers affecting the changes in the CAP after 2013 was the introduction, together with the Lisbon Treaty, of the co-decision procedure in the area of agriculture. As a consequence, the role of the European Parliament (EP) has been increased in the decision-making process. The work of the EP takes place in committees such as the Standing Committee on Agriculture and Rural Development (COMAGRI). While its composition reflects the political balance of Parliament as a whole, it is dominated by farmers, landowners, and rural stakeholders. Thus, the co-decision procedure could strengthen the group of Member States (through the actions of their MEPs) traditionally in favour of an interventionist interpretation of the CAP and a policy aimed at supporting the regions (Roederer Rynning, 2015).

Moreover, the increased influence of Member States on the decision-making process, in tandem with strengthening the possibility of pushing national preferences on the EU forum, has been visible since the economic crisis of 2008–2009. According to Ruszkowski (2018), during a crisis, integration begins to develop according to national logic, i.e., the process “regresses to the capitals”. The specificity of agricultural negotiations in the EU, in particular the frequent modifications of the European Commission’s proposals by the Council, combined with the consensual
negotiation style and trade off processes between the Member States, favour the introduction of changes that meet the interests of individual countries.

A good example may be the negotiations on the Multiannual Financial Framework (MFF) for 2014–2020, also related to the reform of the CAP after 2013. The pressure existing at that time for a radical reorientation of priorities and a reduction of expenditure in order to achieve savings could have meant a significant reduction in the agricultural budget. However, that did not happen. Matthews (2015) pointed to the following links between the MFF and CAP negotiations: (a) the reform was shaped in accordance with the need to create a narrative that would legitimise spending on the CAP under the MFF, and (b) there was a significant reduction in the time needed for negotiations, because the key actors delayed finalising their position on the reform of the CAP until the budget proposals were agreed in early 2013.

The presented drivers, affecting a greater role of the Member States in the Council and in the European Parliament (through their deputies) could have contributed to increasing the flexibility in the implementation of the CAP after 2013, favouring the adaptation of agricultural policy instruments to the economic, social, and structural needs of a given country. The new, decentralised decision-making process encouraged the active participation of a wider range of actors and provided greater opportunities to adapt the overall EU framework to specific national circumstances (Greer, 2017). The new reforms in the EU also favoured the wider introduction of the principle of subsidiarity, which had not previously been applied in the management of the CAP (with the exception of rural development measures). The dependence on the European path dependency in shaping the CAP has decreased, replacing it to a greater extent than before with national paths of dependency shaped by national preferences (Henke, 2018).

However, the effect of the increased flexibility (or, as some have named it, re-nationalisation) of the CAP is a significant diversification of agricultural policies in the Member States, as well as of funds allocated to programs and measures supporting domestic agricultural sectors. Research commissioned by the European Commission has shown that a wide range and combination of choices made by Member States both under the first and second pillar of the CAP will have a significant impact on the implementation of the objectives set for the CAP (European Commission, 2017).
National Preferences in Intergovernmental Negotiations

From the perspective of liberal intergovernmentalism, the configuration of nationally-determined national preferences defines the negotiating space for agreements that have a chance of being adopted at the international level. The course and results of negotiations can be predicted using game theory in relation to MFF negotiations on the CAP. The main elements of game theory analysis are: determining the possible actions of the players (and their sequence), identifying the players’ strategies, assessing the players’ access to information, and defining payoff functions (Druckman, 2007). States negotiate based on the unanimity rule, which means that the results should be Pareto optimal. However, the results of the negotiations always reflect the national preferences and bargaining power of individual countries. Game theory models indicate that those governments which could benefit more from agreement than no agreement tend to offer more concessions. In turn, the governments of countries that do not gain much from the status quo conduct tough negotiations, threatening to veto the entire agreement or even leave the organisation (Moravcsik, 1998). The benefits and costs of countries are expressed in specific numbers, hence it is easier for players to relate and react to negotiation proposals. The rules of the game are known, the negotiators have full information, they are also knowledgeable about the possible payouts for individual players. The game is spread over time and is governed by specific procedures formulating sequences of actions.

In Table 2, elements of the traditional theory of non-cooperative games and its extension in the form of the moves theory to predict the size and structure of the EU budget after 2020 on the example of selected actors’ preferences are shown. The theory of moves assumes, in contrast to traditional non-cooperative game theory, that players are already in a certain state of the game and, should they remain in that state, they get their payoffs. Based on the possible payouts, players decide whether to change their strategy in order to get a higher payout. Players are able to anticipate an opponent’s moves and reach a new state of equilibrium named by Brams (1993) as a “nonmyopic equilibrium”. This equilibrium may or may not coincide with the Nash equilibrium (Kiryluk-Dryjska, 2012).

From the aforementioned analysis of the game between the European Commission and net contributors in accordance with the rules of game theory, it was concluded that in the budget negotiations for 2023–2027, contributors may initially accept an increase in the budget for the
Common Agricultural Policy (CAP) and Cohesion Policy (CP), with a more favourable solution for a larger scope of the CP budget. However, attempts to increase the CAP budget excessively in relation to the CP may eventually lead to a freezing of the EU budget at the current level. In recent years, there has been a gradual intensification and consolidation of the preferences of the net contributor countries in favour of a reduction of the EU’s budget size, with a simultaneous dispersion of the budgetary preferences of the net beneficiary countries. The group of countries striving either to freeze or reduce the budget is joined by its recent beneficiaries, i.e., countries in which the level of wealth is approaching the level of net contributors.

Member States’ approach to budget negotiations follows “the principle of juste retour”. Basing the EU budget mainly on the contributions of the Member States in relation to their gross national income means that each country, in accordance with the aforementioned principle, strives for a maximum recovery of funds paid into the common budget. The lack of sufficient own sources of the EU budget is the reason for analysing the situation of individual Member States in terms of the net position, i.e., comparing the contributions of a given state to the EU budget with the benefits, understood as the EU funds allocated and spent on the territory of that state. The net position account often becomes a point of reference for assessing the effectiveness of a given country’s actions on the EU forum. The process of determining the size and structure of the EU budget is, therefore, heavily dependent on narrowly-defined national interests. As a result, budget negotiations become a zero-one game, in which a larger pool of funds for one country causes their reduction for another, and is similar to EU policies; an increase in funds for one contributes to a decrease for the others.

Table 2: The Game Matrix for the European Commission and Net Contributors to the EU Budget

<table>
<thead>
<tr>
<th>Net contributors to the EU budget</th>
<th>European Commission</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase of CP budget</td>
<td>Increase of CAP budget</td>
</tr>
<tr>
<td>Increase of CP budget</td>
<td>(2.4)&lt;sup&gt;N&lt;/sup&gt;</td>
</tr>
<tr>
<td>No change of CP budget</td>
<td>(1.1)</td>
</tr>
</tbody>
</table>

N – Nash equilibrium, B – Brams equilibrium; CAP – Common Agricultural Policy, CP – Cohesion Policy

Source: Grochowska, Kiryluk-Dryjska, 2016.
The long-term monitoring of the CAP budget negotiations shows that the players have little room for manoeuvre with regard to agricultural policy. The United Kingdom has repeatedly tried to reduce spending on the CAP, but in exchange for keeping the British rebate, it resigned from having anything to do with the significant reforms of this policy. In turn, the largest beneficiaries of the first pillar of the CAP – France and Germany – concluded informal agreements aimed at maintaining the status quo. Direct payments were treated by the Member States as a simple redistributive instrument compensating payments to the EU budget. Taking into account the conditions that will determine the budget negotiations and the future of the EU in the coming years, it can be assumed that the change in the balance of power between the Member States after Brexit will strengthen the existing tendencies to maintain the status quo in relation to the EU budget.

Conclusions

In this paper, the circumstances of the significant change in the CAP after 2013 from the perspective of the liberal intergovernmentalism have been studied. The large heterogeneity of the agricultural sectors in the EU has been shown, resulting from several enlargements of the EU by new Member States. Consequently, it has led to an increasing diversification of national preferences, significantly affecting the shape of the CAP reforms proposed on the EU forum. Other important drivers influencing the changes in the CAP were the introduction of a co-decision procedure in the area of agriculture and the increasing influence of Member States on the decision-making process since the economic crisis of 2008–2009.

As a result, budget negotiations in the EU are dominated by narrowly-defined sectoral and national interests. The dependence of the EU budget on the contributions of the Member States in relation to their gross national income means that each country – in accordance with “the principle of juste retour” – strives for the maximum recovery of funds paid into the common budget. Member States focus on maintaining an acceptable net position which contributes to the status quo in terms of EU budget spending. There is, therefore, a risk that the deficit of European integration in areas assuming the distribution of costs and benefits between Member States may have serious consequences for the future of the EU. Purely distributive budget negotiations may intensify the processes of disintegration and renationalisation within the EU.

The presented study indicates the need to continue research on the deepening heterogeneity of agricultural sectors in the EU, which affects
the increasing diversification of the interests of agricultural lobbies in individual Member States and expectations in relation to the changing EU agricultural policy. It is reasonable to better understand the boundary conditions of this phenomenon, especially in terms of the principle of subsidiarity and the division of competences between EU institutions and Member States, particularly for the protection of the single market. Future analyses should also take into account the bureaucratic implications of CAP flexibility in terms of creating more complex administrative structures in increasingly heterogeneous national agricultural sectors.

References


