

Agriculture and Cohesion

Common Agricultural Policy

- Welfare program
- Give farmers income comparable to that of workers of other sectors

Rome Treaty:

- To increase agricultural productivity
- To ensure a fair standard of living for farmers
- To stabilize agricultural markets
- To guarantee regular supplies of food, ensure reasonable prices for consumers

Guiding principles:

- A single market
- Community preference
- Financial solidarity

Basis elements:

target, intervention & entry prices
levy
refund

Problems:

- Prices no relation to demand
- Overproduction => high costs to taxpayers
- Big farmers earn more than small ones
- Use of herbicides, pesticides & fertilizers
- Maintenance of quotas, levies & tariffs
- Trade disputes

Uruguay Round (GATT => WTO)

3 pillars:

- Domestic support
- Export subsidies
- Market access

MacSharry Plan

- agricultural assistance from price support to direct income supplements
- ⇒ More expensive
- ⇒ Helped to reduce surplus
- ⇒ Income of farmers rose

Enlargement & Agenda 2000

CAP should:

- Improve EU's global competitiveness
- Guarantee safety & quality
- Ensure stable incomes
- Make agricultural production methods environmentally friendly



- Integrate environmental goals into its instruments
- Seek & create alternative income & employment opportunities

Subsidies for Central and Eastern Europe

- EU leaders favored direct payments to farmers
- aim -> to reach these payments until 2013
 - beginning at 25% in 2004
 - ending at 40% in 2007
- Danish presidency supported the enlargement for farmers in the new memberstates
- but : -2nd class membership of new memberstates

The Midterm Review

- the proposal: to balance 1. the French & 2. the German position
 - France: direct payments are an integral part of
 - *aquis communautaire* (all rights a. obligations EU countries share)
 - Germany: cuts in direct payments of 20%
 - Chirac-Schröder agreement before the final summit
- The result of the Midterm Review:
- only a "patchwork" of compromises and concessions
 - a continuation of the MacSharry reform

The Doha Development Round

- new set of negotiations launched in Doha, November 2001
 - one part: more direct payments to farmers
 - in 2003 finally agreement betw. US and EU
- result: "joint approach" to agricultural issues in the WTO

Cohesion

- fundametal objective of the EU
- but: cohesion funds (financial instruments of cohesion policy) costly, raise questions
- find a solution for the north-south division of the EU

The Effectiveness of Cohesion Policy

- according to the World Bank's report: structural funds are "ineffective, poorly carried out, badly designed"
- empirical evidence for effectiveness is difficult to gain
- north-south divide is closing, but: new east-west gap
- Ireland -> winner of the Cohesion Policy
- Portugal, Spain, Greece developed less favorable
- Central and Eastern European countries often enjoy rapid economic growth,
 - have sometimes even a better economic future than old member st.

