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## Welfare for Farmers?

### The Eastern Enlargement of the EU Common Agricultural Policy

*Every domination both expresses itself and functions through administration. Every administration, on the other hand, needs domination, because it is always necessary that some powers of command be in the hands of somebody.<sup>1</sup>*

*Max Weber*

For the agricultural sector of the Central and Eastern European countries (CEEC), European Union enlargement to the east was what the fall of the Berlin Wall was for agricultural policy in the former East Germany: the adoption of a complete bureaucratic welfare regime. While EU enlargement was largely understood as reunification of the continent, in terms of agricultural policies, it entailed an eastward expansion of EU bureaucratic procedures. Henceforth, agrarian life and economic policy in the CEECs will be determined by an order imposed on their governments from Brussels. The *acquis communautaire* (the total body of EU law) of the Common Agricultural Policy (CAP) was non-negotiable. Like the old members,

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OSTEUROPA 2005, *Sketches of Europe*, S. 247–276

the new members of the EU will have little leeway for independent rural and agricultural policies – and what scope they have will be closely watched. Their parliaments, government agencies and courts will become mere executors of decisions made in Brussels. And the enormous financial power of the CAP by itself will ensure that national agricultural policies will be geared towards offers put forward by the European Commission. Joining hands with Brussels, national agriculture agencies will see their power grow enormously vis-à-vis national parliaments, and they will become increasingly independent of political parties' and interest groups' patronage concerns.

This development is somewhat ironic, but it follows a certain logic of integration and constitutional politics. Living conditions and personal incomes in the agricultural sector of the new EU member states will be subjected to a bureaucratic apparatus more than ever before. The promises of freedom raised by the democratic revolutions of 1989 – of the end of the collective's dominance over the individual and the state's hold on society – have changed little for farmers in Central and Eastern Europe. Once more, the rural economic and social order has become the target of social engineering, socialism's trademark. However, this time around the new prescriptions of social planning and the detailed regulations for rural economic conditions and incomes developed by the welfare bureaucracy originate in Brussels. The vast majority of people, including the farmers concerned, seem to welcome this development. Given the agriculture's situation in the new member states, this should come to no surprise.

The liberal notion of an open commercial society could not take hold in the rural regions of Central and Eastern Europe. A tradition of liberalism did not exist there beforehand, nor has it put down new roots since 1989.<sup>2</sup> Apart from

a few exceptions, most notably the Czech Republic, the primary objective in post-communist countries during privatization and decollectivization was not to create competitive farms but to return them to their former owners or their heirs. This put the agricultural sector on a path of development leading towards small-scale and family-operated farming. The pressures of high inflation rates and eroding private incomes put an end to the short period of privatization and liberalization in the early 1990s. Ad hoc interventions and transfer programmes took their place, which in turn were pushed aside by institutions modelled on CAP structural and performance programmes in anticipation of EU accession.<sup>3</sup> In any case, the main issue for the candidate states during accession negotiations was not the demand that they be less exposed to CAP, but their wish to enjoy the same privileges as the old member states as soon and as fully as possible. This is no coincidence. The EU has much to offer the CEECs' agriculture sectors characterized as they are by below-average productivity and fragmentation. The EU does away with unpredictable market volatility and replaces it with a "market order" of institutionalized prices and fixed quotas. It promises direct payments without the need to wrest them from national politicians concerned about budget constraints, and it includes many pork barrel projects for rural regions within its structural, modernization and environmental programmes.

#### Agricultural conditions in Central and Eastern Europe

In most of the new Central and Eastern European member states, agriculture is much more important to national economies and employment sectors than in Western Europe. Accordingly, the CAP's impact will strongly and

profoundly felt there. The primary sector contributes around five percent to their GDP, while its share in the old EU-15 amounts to only two percent. Agriculture provides 13 percent of total employment in the new member countries, compared to less than five percent in Western Europe. Table 1 gives a first impression of agricultural and economic conditions in Central and Eastern Europe.

For rural populations in the CEECs in particular, the competitive market economy's new freedoms came hand in hand with increased insecurity and anxiety, inequality and social decline. Nowhere was "privatized" property able to guarantee social security. Everywhere, factor prices for farmers rose much more rapidly than sales prices, and so did rural unemployment. All of the accession countries save for Hungary developed a permanent trade deficit in agricultural products. The post-socialist societies were unable to satisfy demands for social security guarantees. This was especially true for Poland, the new member state with the largest population and the highest share of employment in agriculture, but also for Lithuania, Latvia and Slovenia. Rising subsistence farming – a form of agricultural emergency relief – demonstrates that more often than not the blessings of the new liberal order bypassed rural populations. Over the course of the 1990s, all of the accession countries witnessed the (re-)institutionalization of the rural-urban conflict, embodied in Estonia, Latvia, Poland and Hungary by the emergence of farmers' parties and a renewed prominence of the "agricultural question", which usually took the form of disputes over social and income issues.

In Poland, the number of small farms serving mainly their owners' demand has been growing since 1990.<sup>4</sup> The share of farms with an area of less than five acres<sup>5</sup> increased by 18.5 percent between 1990 and 2000. Those farms make up almost a quarter of all agricultural units but till under the

Table 1: Agriculture and unemployment in the CEEC countries

	Agriculture as share of employment (2002, %)	Agriculture as share of GDP (2002, %)	Unemployment (2003, %)	Purchasing power per capita in % of EU average (2000)
Poland	19.6	2.5	19.2	38.0
Lithuania	18.6	2.1	12.7	29.3
Latvia	15.3	2.9	10.5	29.3
Slovenia	9.7	2.1	6.5	71.6
Slovakia	6.6	2.1	17.1	48.0
Estonia	6.5	2.9	10.1	37.3
Hungary	6.0	3.1	5.8	52.0
Czech Rep.	4.9	1.2	7.8	58.7
EU-15	4.0	1.6	8.0	

Sources: Frankfurter Allgemeine Zeitung, 14 March 2004, New York Times, 26 March 2004, and European Commission, Directorate-General for Agriculture, "Agricultural Situation in the Candidate Countries – Country Reports", July 2002.

five percent of the soil. The share of farms with more than 37 acres went up by 42.7 percent between 1990 and 2000. These larger farms now manage 40 percent of total arable land. In 1990, their share was only 20 percent. All other size categories have shrunk in number: 2-12 acres, 18.5 percent; 12-25 acres, 25.6 percent; and 25-37 acres, 23.3 percent.<sup>6</sup>

Poland is increasingly developing a dual agricultural sector with subsistence-level and family-oriented farms on the one hand and market-oriented farms on the other. The important role of subsistence farming as a sort of social safety net is also demonstrated by the fact that social security benefits, mostly pensions, have become the second most important source of income for many households after farming. They cover more than 20 percent of household incomes.<sup>7</sup> Since less than a quarter of all farms are run as side businesses despite their small size and orientation towards subsistence farming, this dual system is unlikely to be a transitory phenomenon. The same can be said for Slovenia, Latvia and Lithuania, where most farms are likewise family-operated. Even in the Czech Republic, where almost three quarters of the arable land was managed by about 3,000 large joint-stock companies in 2000, the number of individually and family-owned farms more than doubled between 1995 and 2000. Their share of the total number of farms increased from 90 percent to 95 percent while the relative share of joint-stock companies slightly declined despite a mild growth in absolute numbers.<sup>8</sup>

To a large extent, the fate of the agricultural sector in those countries will depend on the development of labour markets and the general economic situation. Hungary exemplifies the degree to which the economic development determines the state of the agriculture and rural regions. The number of mini-farms (less than 2.5 acres of area), standing at 90

percent of all farms in 1991, had shrunk by half in the wake of the successful economic transformation by 2000. That 7,000 large farms with more than 250 acres till more than 50 percent of arable land also indicates the extent of the industrialized agricultural sector's consolidation in Hungary.<sup>9</sup>

Thanks partly to catastrophic social conditions in the agricultural sector, the CEECs' governments redoubled their efforts in the mid-1990s to pursue an agricultural policy that would prevent agriculture from putting even greater pressures on labour markets and social security institutions. All of the new EU member states at some point introduced transfer payments and price support measures. Frequently, these measures did not outlast the governments that adopted them. Tight budget constraints made state subsidies to the agricultural sector even more volatile. Abrupt shifts were a trademark of the new member states' agricultural policies.<sup>10</sup> Except in Slovenia, however state payments to increase agricultural incomes failed to reach the levels of the Western European agricultural sector. Table 2 illustrates the dependence of the agricultural sector in the CEECs on state budgets and market regulations.

However, the new member states' increasingly defensive agricultural policies and their social objectives contradicted their other explicit goal, namely to promote an internationally competitive agricultural sector. Given the fragmented structure of the agricultural sector, commercial farms willing to expand can modernize only if market exits and land flight, i.e. the dissolution of small farms, free up sufficient arable land. This inherent contradiction in agricultural policy is not unique to the new member states; it is just as present in the conservationist and expansionist interests of the European Union's agricultural bureaucracy.

Table 2: State Support for Agriculture (Producer Support Estimate), 1997–2001

	1997		1998		1999		2000		2001	
	Mio. €	%	Mio. €	%	Mio. €	%	Mio. €	%	Mio. €	%
Poland	1,767	12	3,166	22	2,424	19	1,081	7	1,322	10
Lithuania	64	4	225	16	208	16	85	6	125	11
Latvia	29	5	109	20	103	22	82	15	79	16
Slovenia	239	32	322	42	354	49	303	39	299	40
Slovakia	200	11	531	31	364	25	365	23	138	11
Estonia	27	2	91	20	24	6	31	7	44	13
Hungary	318	6	946	19	1,079	23	990	20	530	12
Czech Rep.	221	6	878	23	796	24	578	16	534	17
CEEC	2,865	10	6,268	24	5,352	23	3,515	17	3,071	16
EU-15	92,664	32	102,330	36	108,241	39	9,724	34	103,937	35

The Producer Support Estimate measures public support for agrarian incomes (price support through market orders + direct payments out of the budget). The figure measures the share of public support in agrarian incomes. Sources: OECD, "Farm Household Incomes, Issues and Policy Responses", <<http://www1.oecd.org/publications/e-book/5103011E.pdf>>, p. 21, and Network of Independent Agricultural Experts in the CEE Candidate Countries, "Development of Agricultural Market and Trade Policies in the CEE Candidate Countries", Studies on the Agricultural and Food Sector in Central and Eastern Europe, 19/2003, <[http://www.iamo.de/dok/sr\\_vol19.pdf](http://www.iamo.de/dok/sr_vol19.pdf)>.



There are two key reasons why, in an enlarged EU, agriculture in the East will come to resemble that of the West. First, it is a non-negotiable condition of enlargement that its criteria and consequences will neither affect agricultural policies in the old member states nor “prejudge future decisions concerning the CAP and the financing of the EU”.<sup>11</sup> This means nothing less than a guarantee of the CAP in its current form.<sup>12</sup> Previous rounds of enlargement likewise did not afford opportunities to chart a new course for the CAP or to cut it back. On the contrary, governments used them over and over again to confirm the institutional and distributional status quo. Second, the CAP fits the agrarian conditions in Central and Eastern Europe almost perfectly. The Europe of the CAP is very different from the Europe of the single market. It is a development-oriented Europe, which performs economic assimilation and equalization tasks within a national framework. In essence, it pursues social objectives.<sup>13</sup> The CAP was designed as an intra-European development policy, in order to lend stability to the agricultural sector during its industrial transformation. The hallmark of the CAP is a political “this as well as that”. The policy was designed to check land flight and mitigate social antagonisms within the agricultural sector and between urban and rural populations. As a result, it curtailed the emergence of efficient large-scale farms and subordinated the market for agricultural goods to a bureaucratic regime that considers the market but one instrument among others rather than an independent setter of prices, incomes or productive relations. The laws of the agricultural market were largely suspended to satisfy demands for greater social equality and security. By broadening the policy spectrum to include the entire rural area since the 1992 MacSharry re-

form, the CAP has further shifted from productivity to social protectionism.<sup>14</sup>

Due to its ambiguous double structure, the CAP is perfectly suited for the special challenge posed by the Eastern enlargement. In particular, its policies for rural regions increase the survival chances of small farms and can ensure their continued existence. Its instruments are motivated by social objectives. The direct payments have an equally preservationist effect, especially if they are aimed at rewarding “ecological” achievements. At the same time, the reduced use of price interventions has heightened the possibility that an agrarian capitalism could ensue. Table 3 shows how the focus of the CAP has shifted from price manipulation, which tended to affect agrarian incomes only indirectly, to direct transfer payments. Export subsidies, whose benefits reach farmers only through the intermediate intervention on the market order, have been cut drastically, and so has been the reimbursement of storage costs, which also impact incomes only indirectly.

The main reason for the absolute and relative decline in direct payments after 1996 is that rural policies – essentially development, infrastructure and modernization projects – are financed through the Guarantee Section rather than the Guidance Section, which is the budget item for CAP structural programmes. 12.7 percent of all expenditures from the Guarantee Section are now development expenditures. This amounts to almost five percent of total EU expenditures.<sup>15</sup>

Table 3: Breakdown of expenditures according to the type of measures (European Agricultural Guidance and Guarantee Fund)

	1991		1996		2002	
	Billion ECUs	%	Billion ECUs	%	Billion ECUs	%
Total expenditures	30.5	100	39.4	100	43.2	100
Export refunds	10.2	33.4	6.3	16.0	3.4	8.0
Total intervention	20.3	66.6	32.7	82.9	34.3	79.3
Storage	4.0	9.9	1.4	4.0	1.2	2.7
Direct aids	14.0	69.0	30.1	92.0	28.8	66.7

Sources: Kommission der Europäischen Union, "Die Lage der Landwirtschaft in der Union", Bericht 1991, T/89, Bericht 1996, T/107, and [http://europa.eu.int/comm/agriculture/agrista/2003/table\\_en/344.pdf](http://europa.eu.int/comm/agriculture/agrista/2003/table_en/344.pdf).

In spite of the shift in objectives away from price support policies towards more market orientation since 1992, the CAP still pursues the twin goals of stalling structural change if it entails job loss, while securing an income level for farmers that corresponds to that of society at large. With respect to the first objective, the EU agricultural policy functions as a shield against price pressures and competition in the free market. Its purpose is to achieve predetermined income objectives and distribution results, as opposed to the spontaneous results yielded by unregulated market forces. The German agriculture law of 1955, still in effect today, entitles farmers to a share of the profit increases generated by the manufacturing sector. The Treaties of Rome adopted this provision. One important element of the goal is income security. This security is one reason why the CAP appeared such an attractive social promise for the rural populations in the CEECs.

#### A social agricultural policy

Given the labour market situation in the CEECs and the high share of total employment in their unproductive, small-scale agricultural sector, the CAP is bound to serve as a vital safety net and cushion for workers laid off from crumbling industrial sectors. The assortment of CAP benefits mitigates industrial society's pressures to reform agriculture. This was the function of the CAP in the old member states, and it will be its function in the new ones. By expanding its agricultural policy eastward, the Western European countries are protecting their own labour markets and social systems. The greater the pressures to adapt and rationalize the agricultural sectors in Central and Eastern Europe, the higher the risk of massive labour migration to many countries, above all

Germany and Austria, which in turn could lead to increased exploitation of their generous welfare systems.

The CAP's promise to old and new member states alike is a normalization of agricultural conditions. It is a political and individual makeshift solution that introduces an alien, somewhat socialist mechanism to market economies. It is a political makeshift solution because it can help neutralize the potentially unsettling effects that a large and socially humiliated rural population can have on a parliamentary democracy. Paying for "equalized living conditions" was the frequently forgotten contribution of the CAP to Western European democracy in the quarter century after the signing of the Treaties of Rome. Although decision-making within the CAP is anything but democratic, its interventions and redistribution mechanisms satisfy expectations of social justice much more reliably for an increasingly marginalized rural population than procedural majority democracy. At the same time, the CAP is an individual makeshift solution because it supplies money – and thus time – to persons forced by the dismal state of the national economy to find an income in the agricultural sector. Even the agreed transition period, which provides for a gradual adjustment of CAP direct payments to Western European levels over a ten-year period, does not change this. The rate of increase is determined by a fixed schedule and thus unaffected by political arbitrariness.

The adoption of the EU's agricultural *acquis* will introduce the same contradiction in treating the small-scale and relatively unproductive agriculture as in Western Europe, and the same consequences will materialize. On the one side, the promotion of efficient of competitive farms is supposed to close income gaps through increasing profits. This, however, would require rapid structural transformation so as to free arable land and raise output sufficiently

enough to consolidate efficient large-scale farming units. On the other hand, special direct payments and support programs have been set up for rural regions to curb unemployment and labour migration in order to prevent persistent poverty from becoming entrenched in the countryside. These benefits enable small farms in particular to survive, because they can use them to subsidize private consumption instead of investments. Moreover, the special funding package for “semi-subsistence farms”, specifically designed with the new member states in mind, guarantees fixed financial assistance for restructuring to all categories of farms, including very small ones. All farm owners have to do is submit a “business plan”. Finally, the EU makes payments to small farms no matter whether they are productive or are just “maintained in a manner compatible with the protection of the environment”.<sup>16</sup>

This agricultural policy rewards those who hold on to their farms, no matter how small, drives up the price of land and thus locks in the land market. Small producers feel less pressure to abandon agriculture, thus conserving the distribution of land holdings in the agricultural sector.<sup>17</sup> In Western Europe, an agrarian workforce consisting of more than 50 percent of people above the age of 45 reveals this conservationist effect of a socially motivated agricultural policy. By comparison, the same age category accounts for only 33.4 percent of the people employed in the manufacturing sector, and 34.9 percent in the service sector.<sup>18</sup> The average age of the agrarian workforce in the new member states is below this figure, but not very much. Poland’s share of 45-year-olds in agriculture is 44 percent, Hungary’s 45 percent and Lithuania’s about 47 percent.<sup>19</sup> The advanced age of many workers also makes it more difficult for them to find employment outside the agricultural sector. In fact, employment patterns in new member states

with high unemployment and predominantly family-operated farms tend to change in the reverse direction: in Poland, Lithuania, Latvia and Slovenia the number of people employed in agriculture rose, rather than fell, between 2000 and 2002.<sup>20</sup>

The agricultural quandary prevailing in most CEECs has spawned considerable domestic tensions. This is mostly a consequence of policies implemented in the 1990s. Privatization and decollectivization in those countries paved the way for the immobilization and politicization of the agricultural sector, especially when post-socialist land reforms merely led to a fragmented, family-based agriculture, as was most notably the case in the Baltic states, Hungary and Slovenia. When individually or family-owned farms dominate the sector, their reaction to economic difficulties will be to mobilize political influence instead of abandoning their farms or looking for employment beyond agriculture. The size of the agricultural sector in itself is reason enough for politicians and political parties competing among each other, to take interest in the wishes of the rural population. Labour relations and the distribution of property in the countryside are crucial factors in answering the question why the state, more often than not, is eager to intervene in the agricultural sector to supplement or supplant market forces. In short, the post-socialist countries are facing problems in agriculture that they themselves created in the 1990s – and they will find it very difficult to solve them if left to their own devices.

The conflict between city and countryside, which has all but vanished in Western Europe – in part due to the CAP – has erupted anew in the post-socialist states. The renaissance of Catholicism in the 1990s further widened the split, which had been on the backburner during socialism.<sup>21</sup> One reason why farmers' parties play an important

in role Poland, Estonia, Latvia and Slovenia is the excellent infrastructure they have at their disposal – compared to that of other political parties – as the heirs to the institutions of state socialism. Since almost all CEECs have multiparty systems characterized by volatile coalitions and majorities, agrarian interests have been able to exert disproportionate influence.

Earlier and more so than in other sectors, democratization helped prevent the establishment of a free market in the agricultural sector. Rural populations quickly learned how to restrain the market economy and its consequences by making use of their new political rights. Compared to other groups in society, farmers are better at mobilizing and expressing their interests because their associations enjoy superior organizational structures – though their political clout did not result in constructive agricultural policy.<sup>22</sup> The CEECs' reaction to the social dislocations caused by privatization and decollectivization have been mostly etatist and paternalistic. Agricultural policies fluctuated wildly – although protectionist tendencies were reined in less by the acceptance of market principles in agricultural policy than by tight budget constraints.

#### Enlargement through organization, integration through administration

Because the CAP operates less as a regulatory regime but rather more as an intervention and transfer regime, the main challenge facing EU Eastern enlargement is bureaucracy building. Unlike the previous rounds of enlargement, Eastern enlargement poses an administrative challenge that the EU hoped to overcome with the help of various pre-accession assistance payments. PHARE and SAPARD



are not just financial and structural aid programmes they also play a critical role in fostering “good administration practices”.<sup>23</sup> The decentralized nature of SAPARD raises a double challenge, because the new member states have to create an administration from above on the one hand and promote new development projects proposed from below on the other. Since none of the new member states pursues any rural development policies, SAPARD has yet to create the needs it is supposed to satisfy. Given that its monitoring agencies must be certified by the EU Commission, it is unsurprising that at the end of 2000 SAPARD was not working in any of the accession countries. Since then, bureaucratic capacity building has advanced to such an extent that, by the end of 2003, funding for almost 13,000 development projects had been authorized.<sup>24</sup>

The strong politicization of national bureaucracies by political parties and the endemic corruption in all of the new member states are difficult to fight from the outside. Despite several years of preparation and extensive support from the EU, six weeks before accession day, none of the new members except Cyprus had established the required payment agencies and the “integrated administration and control system” for the new market order. As a result, none received CAP benefits.<sup>25</sup> The EU Commission is aware of its responsibility, and it knows the EU Parliament is watching.<sup>26</sup> Former EU Commissioner for Agriculture and Rural Development Franz Fischler stressed, there is “no room for compromise” in the question of a functioning agricultural bureaucracy.<sup>27</sup> How long the march to Europe actually takes will not be decided by values or culture, but by the certification of agencies occupied with payment, administration and storage, by the establishment of monitoring and inspection systems and by the creation of trade mechanisms and border controls. These adminis-

trative problems are much more important for the success of Eastern enlargement than the much-discussed questions concerning a new balance of power in EU institutions.<sup>28</sup>

Although most of the CAP is today granted in direct payments regardless of actual agricultural output, the management of these payments poses specific problems for the new member states. They are not uniform but include almost 30 different benefits, six of which are within the Common Market Organization for beef alone. The payments are directly linked to Market Organizations because they were initially introduced as part of the MacSharry reform as compensation payments to reduce the institutionalized prices on excess output. This means that a deeply layered bureaucracy is necessary to manage the direct payments. Nothing of the kind exists in the new member states as of yet. The main task here is to restructure the national intervention regimes so that they conform to EU standards. The new directive for small producers, in effect since 2001 in the old member states, has drastically reduced administrative workloads. However, it is impracticable for the new member states, although it would apply to more than half of the farmers there. The problem is that the benefits granted under the directive use the same base years as the calculation of the direct payments, yet these base years are difficult to select for the CEECs because of the strong recent fluctuations in annual agricultural output and farm size.

The agricultural transformation of the CEECs is far from complete. However, from now on, it will unfold under different conditions. The CAP presents the EU as a supranational organization with an elaborate bureaucracy that imposes unavoidable prescriptions for and limitations on governments and bureaucracies. EU support programmes will breed modes of production and social conditions

suitable to the union. But the institutional order of the EU contains a second element, one that counterbalances supranational bureaucracies and strengthens the hand of national governments. The EU is not only a bureaucratic organism; it is also a contractual community of sovereign states whose primary interest lies in the preservation of their sovereignty and the integrity of their societies.

#### The European Union: instrument of governments

With Eastern enlargement, the EU will have to live with greater inequality in living standards and the general welfare of the member states' populations for decades to come. Welfare disparity within the EU has increased drastically. But contrary to the belief of many, the social aspect is not a key motive of integration. Nor was it in Western Europe. Even within the economic and monetary union, comparisons of income and consumption opportunities have remained anchored in a national framework. Welfare expectations and social security needs are not the kit holding Europe together. Those concerns are still directed at the national governments and not at the European Commission, the European Council, or even the European Parliament. The equality of EU citizens is the liberal equality of market freedoms, but not social equality in living conditions. The EU has none of the social foundations that it would need to design, create and nurture.<sup>29</sup> Since there is no trans-national community in the making, the EU can tolerate huge welfare disparities. Its inner cohesion stems from a very different source. Because many observers fail to notice this, they regularly misrepresent the effects of Eastern enlargement.<sup>30</sup>

The administrative adjustment of Eastern and Western Europe as represented above all by the CAP follows the same logic as the institutional integration of the CEECs into the Soviet orbit after the Second World War. By adopting the *acquis* and tying their national politics into the EU decision-making process, states take on a particular model of the relationship between state, society and the economy. This institutional order forecloses the possibility to adopt radically different principles of political organization. Free experimentation in overcoming the many problems of adaptation and transformation is possible only to the extent permitted by the EU. Countries that want to join Europe have to tame their politics. Nationalism and nation state must be domesticated. The structural equality of formally sovereign states not only facilitates political control through Brussels; it also lends additional legitimacy to the model of European integration, because it is impossible to assert claims for a better order.<sup>31</sup>

The Europe of nation states was susceptible to political arbitrariness. The Europe of the Union establishes a supranational control over the governments by the European Commission. European integration curtails the sovereignty of the individual states in the interest of their citizens' rights.<sup>32</sup> The councils of ministers, the European Council and the government summits show that the European governments have subjected themselves to mutual controls. They alone are responsible for the political course. The fundamental principle of European politics is governance without government. In conjunction with an inter-institutional decision-making process whose pattern changes from policy field to policy field, this creates a multilateral dependency for each government and thereby raises the possibility of relative independence. Europe cannot be governed by a single government, not even by

an alliance of governments. The interest coalitions and hence the composition of a majority for a particular decision depends on the issues at stake.

At its core, the EU is a political mechanism that governments use for their purposes. The central position of the European Council and the councils of ministers in the institutional system means that the governments are their own masters, because they themselves lay down the conditions shaping their national politics. National bureaucracies are neither replaced nor integrated, not even in subfields, but coordinated. Though European citizen rights and the Single Market have loomed large in the development of the EU, it is essentially an organization that enables governments to pursue common interests and neutralize rivalries. From the member states' perspective, the EU is one more means of governance. Although it also sets limits, it primarily expands the capacity to act, e.g. by removing potential conflicts from national politics. The most important areas are trade policy, economic policy and, last but not least, agricultural policy. In this regard, the EU does not weaken but strengthens the nation states – even in Central and Eastern Europe.

With regard to the domestic politics of member states, the explicit renunciation of sovereignty for a limited and individual authorization of the European Commission can in fact increase the capacity of national governments to cut back excessive public policies – in particular when the long-term stability of a liberal order is concerned for which it is critical that governments give up individual as well as comprehensive market interventions. This barrier to government action, imposed by Eastern enlargement, will have a decisive impact on the post-socialist countries' domestic situation.<sup>33</sup>

It would be a gross misrepresentation to see in the EU only an answer to the European history of hegemonic temptations and the experiences of the Second World War. The EU is much more than a peacemaking project. It has assumed entirely new tasks in the course of political and social change in Europe. As the guarantor of the internal market with unified rules of competition, its importance grew at the same rate at which the expansionist welfare state began to undermine the national market economies in what was a more or less natural consequence of democratic politics. The EU's protective function has become crucial for the market economies of the CEECs as well. The competition between political parties has led to the predominance of social democratic *Realpolitik* everywhere, even in the Czech Republic, Poland and Estonia, which initially leaned towards the Anglo-Saxon model of market liberalism.<sup>34</sup> The supranational elements of the Single Market, particularly the European Commission and the European Court of Justice in their roles as the guardians of cross-border freedoms, protect the liberal market economy against the interventions of a "social" economic policy, whose cumulative effects would be ultimately self-destructive, as well as the "state capitalist" temptations emanating from the patronage politics common to party states.<sup>35</sup>

Finally, in its role as an administrative programme, the EU sets standards and enforces rational and transparent relations between the state and the market. The competition rules of the Single Market and the strict system of European Commission subsidies prevent or at least retard the emergence of symbiotic relations between politics and business, which the party state tends to develop even in the CEECs. Since the advocates of a liberal transformation and standard bearers of meritocratic rules of success in those countries have lost

much of their influence in the last decade, while the middle class remains small and lacks a tradition that inspires self-confidence, it is hard to overestimate the importance of the EU as a protective shield for social, economic and constitutional policies. For this reason, and for insurance against authoritarian temptations and a solution to the political dilemmas created by liberal reform projects, the young democracies of Central and Eastern Europe need the EU much more than it needs them.

### Outlook

One may lament the fact that the CAP disburses 45 percent of the EU budget to four percent of the working population generating merely two percent of GDP. From a social science perspective, this result is hardly surprising. The budget tilt is the inevitable product of the power dynamics set into motion by the bureaucratic integration of agricultural policies. Since the defensive modernization of agriculture is the key objective of the CAP, it is bound to be strongly reinforced by Eastern enlargement. It is correct that the EU is making no attempt to replicate in Eastern Europe „what it did with such impressive success in Southern Europe“.<sup>36</sup> But this criticism ignores the constitutional and institutional impact of the CAP's Eastern enlargement.

Whether or not this is regrettable, a strictly liberal agricultural policy is neither in Western Europe nor Eastern Europe a realistic option. Not only does the self-preservation interest of the agro-bureaucracy in Brussels ensure this, but so do societies' values and expectations with regard to agriculture. The development aspect of the CAP offers the possibility of stabilising incomes and

pursuing non-economic goals beyond the pressures of productivity and competition by decoupling benefits. Furthermore, the CAP's centralized bureaucracy has substantial political advantages, precisely because it incorporates the national agricultures into a supranational system. First, CAP payments are much more reliable and the market order more predictable than the national systems. They are hardly affected by the annual fights over scarce financial means and the volatility of the budget in democracies. Second, its benefits and aid programmes for rural development exceed the narrow limits of traditional agricultural policy and thus afford restructuring possibilities to the CEECs that are beyond the scope of national agricultural policies. Third, on their own these countries would be unable to protect their agricultural sectors against the world market in the way the EU does. Fourth, by largely replacing former agricultural policy, CAP financial inflows drastically ease pressure on tight national budgets. Greece pays only 8.5 percent of its total agriculture expenditures from its national budget, Germany 19.5 percent and France 26.5 percent.<sup>37</sup> The five national agrobureaucracies are subject in turn to tight supervision by the European Commission, the European Court of Auditors and the European Anti-Fraud Office. This ensures greater independence for them from political parties and their patronage interests.

In sum, the Eastern enlargement of the CAP will provide the rural populations of the CEECs with their own welfare state with which they will accommodate themselves. This does not mean they actually need or want it. But nobody was really interested in that.

*Translated from German by Steven Arons, Langen*



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- <sup>1</sup> Max Weber, *Economy and Society* (Berkeley 1978), p. 948.
- <sup>2</sup> See Jerzy Szacki, *Der Liberalismus nach dem Ende des Postkommunismus* (Frankfurt am Main 2003), especially the postscript, pp. 333–354, for a discussion of the weak *political* liberalism in the Central and Eastern European countries.
- <sup>3</sup> J. Hartell and J.F.M. Swinnen, “Trends in Agricultural Price and Trade Policy Instruments Since 1990 in Central European Countries”, in *The World Economy*, 21, 1998, pp. 261–279.
- <sup>4</sup> European Commission, Directorate-General for Agriculture, Agricultural Situation in the Candidate Countries, July 2002. Country Report on Poland; <<http://europa.eu.int/comm/agriculture/external/enlarge/publi/countryrep/poland.pdf>>.
- <sup>5</sup> One acre is 0.4 hectares.
- <sup>6</sup> Country Report on Poland, p. 7.
- <sup>7</sup> Country Report on Poland, p. 12.
- <sup>8</sup> European Commission, Directorate-General for Agriculture, Agricultural Situation in the Candidate Countries, July 2002. Country Report on the Czech Republic; <<http://europa.eu.int/comm/agriculture/external/enlarge/publi/countryrep/czech.pdf>>, p. 8.
- <sup>9</sup> European Commission, Directorate-General for Agriculture, Agricultural Situation in the Candidate Countries, July 2002. Country Report on Hungary; <<http://europa.eu.int/comm/agriculture/external/enlarge/publi/countryrep/hungary.pdf>>.
- <sup>10</sup> Agricultural policy is not the only one evincing highly discontinuous patterns. György Konrád writes, “characteristic of the new democracies’ political reversals are not the small vacillations around the centre, but the long swings of the pendulum accompanying the electoral propaganda with revolutionary phraseology, demanding not just a change in government, but a change of the entire political system.” See György Konrád, *Die Erweiterung der Mitte. Europa und Osteuropa am Ende des 20. Jahrhunderts* (Wien 1999), p. 59.
- <sup>11</sup> Kommission, SEK [2002] 95 final, p. 5.
- <sup>12</sup> So as not to jeopardize eastern enlargement, the EU did not make any attempt to combine the accession of the CEECs with a fundamental reform of agricultural and structural policies. Therefore, the impending reforms will take place with the participation of the new member states. It is unlikely that these countries will support a reform of the more costly programs as requested by the net payers into the EU budget. Whether intended or not, the main effect of the “non-linkage” of reforms and enlargement is to cement the financial and administrative predominance of agricultural policy in the Union. See Bengt O. Karls-

- son, *What Price Enlargement? Implications of an Expanded EU* (Oslo 2002), <[finans.regeringen.se/eso/PDF/ds2002\\_52e.pdf](http://finans.regeringen.se/eso/PDF/ds2002_52e.pdf)>, p. 27.
- <sup>13</sup> Elmar Rieger, "The Common Agricultural Policy: Politics against Markets", in Helen Wallace and William Wallace (eds.), *Policy-Making in the European Community* (Oxford 2000), pp. 179–210.
- <sup>14</sup> Elmar Rieger, "Protective Shelter or Straitjacket? An Institutional Analysis of the Common Agricultural Policy of the European Union", in Stephan Leibfried, Paul Pierson (eds.), *European Social Policy: Between Fragmentation and Integration* (Washington, D.C. 1995), pp. 194–230. For an assessment of the MacSharry reform in the context of international economic relations and a comparison to American reform efforts in the agricultural sector, see the contributions in Giovanni Anania, Colin A. Carter and Alex F. McCalla (eds.), *Agricultural Trade Conflicts and GATT. New Dimensions in U.S.-European Agricultural Trade Relations* (Boulder 1994).
- <sup>15</sup> This is taken from figures given in an EU Commission report on the agricultural situation in 2003; <[http://europa.eu.int/comm/agriculture/agrista/2003/table\\_en/341.pdf](http://europa.eu.int/comm/agriculture/agrista/2003/table_en/341.pdf)>.
- <sup>16</sup> See the EU Commission press release: "Questions & Answers – Commission enlargement proposals on agriculture", 30 January 2002. <<http://europa.eu.int/rapid/pressReleasesAction.do?reference=MEMO/02/13&format=HTML&aged=0&language=EN&guiLanguage=en>>  
The Copenhagen decisions of 12 December 2002, provide for "special measures" to support the incomes of "semi-subsistence farms" amounting to a maximum of €1,000 annually. See "Press Release: Enlargement and agriculture: Summit adopts fair and tailor-made package which benefits farmers in accession countries", 20 December 2002, – <[http://europa.eu.int/comm/copenhagen\\_council\\_20021212/index\\_detail\\_00000023\\_en.html](http://europa.eu.int/comm/copenhagen_council_20021212/index_detail_00000023_en.html)>
- <sup>17</sup> Consequently, the EU justifies the lower direct payments of the CAP on the grounds that it wants to prevent the consolidation of subsistence farming. Nonetheless, it allows the new member states to complement the direct payments with the amount missing to reach the previous level.
- <sup>18</sup> Own calculations based on Eurostat data: <[http://europa.eu.int/comm/agriculture/agrista/2003/table\\_en/35141all.pdf](http://europa.eu.int/comm/agriculture/agrista/2003/table_en/35141all.pdf)>.
- <sup>19</sup> Own calculations based on Eurostat data: <[http://europa.eu.int/comm/agriculture/agrista/2003/table\\_en/35142all.pdf](http://europa.eu.int/comm/agriculture/agrista/2003/table_en/35142all.pdf)>.
- <sup>20</sup> See the figures of the EU Commission report on the agricultural situation in 2003: <[http://europa.eu.int/comm/agriculture/agrista/2003/table\\_en/3512.pdf](http://europa.eu.int/comm/agriculture/agrista/2003/table_en/3512.pdf)>.

- <sup>21</sup> See the respective country reports in Wolfgang Ismayer, "Die politischen Systeme Osteuropas im Vergleich," in W. Ismayer (ed.), *Die politischen Systeme Osteuropas im Vergleich* (Opladen 2004).
- <sup>22</sup> On the power of agrarian interest groups John T. S. Keeler, "The Limits of Agricultural Modernization in Eastern Europe: Farmers, the State and Institutional Obstacles to Liberal Reform", in Klaus Froberg, Peter Weingarten (eds.), *The Significance of Politics and Institutions for the Design and Formation of Agricultural Policies* (Kiel 1999), pp. 70–79. On the weakness of intermediate institutions outside of agriculture, see Helmut Wiesenthal, "Contingencies of Institutional Change – Emergent Actors and Ineffective Governance Complicating Thoroughgoing Reforms," in *ibid.*, pp. 37–50.
- <sup>23</sup> The pre-accession programmes are not a surrogate for agricultural policy or a transition regime bridging the time until the CAP sets in. SAPARD is designed to facilitate the adoption of the *acquis*. Additionally, since 1999, SAPARD has supported measures to improve efficiency and competitiveness in agriculture and the food industry as well as to promote employment and sustainable economic growth in the rural regions in candidate countries. €520million annually has been earmarked for the program since 1999 until 2006. See the EU Commission information sheet, "SAPARD. Questions and Answers": [http://europa.eu.int/comm/agriculture/external/enlarge/back/brief\\_en.pdf](http://europa.eu.int/comm/agriculture/external/enlarge/back/brief_en.pdf).
- <sup>24</sup> Alan Wilkinson, "The SAPARD Instrument on the Eve of Accession", paper presented at the conference Common Agricultural Policy, Opportunities and Perspectives, Sofia, Bulgaria, 14–16 March 2004.
- <sup>25</sup> "Wachsen oder Weichen, Die Landwirtschaft nach der EU-Erweiterung", in *Frankfurter Allgemeine Zeitung*, 23 March 2004.
- <sup>26</sup> For Brussels, eastern enlargement is primarily an administrative problem. See the passage from an opinion of the Committee on Agriculture and Rural Development about the EU Commission assessment report on the progress of accession preparations (2003): "The administration of the CAP is a multi-layered and challenging public task that involves the management of large sums of money. It is therefore a matter of grave concern that the Commission has noted the lack of resources, authorization and independence of public institutions that inhibits the reliable implementation of EU law, and that corruption is pervasive within the public sector of most member states." [www.europarl.eu.int/meetdocs/committees/afet/20040217/521784de.pdf](http://www.europarl.eu.int/meetdocs/committees/afet/20040217/521784de.pdf).
- <sup>27</sup> Interview with Franz Fischler, "Einzelne Regionen gezielt fördern", *Frankfurter Allgemeine Zeitung*, 23 March 2004, p. 14.
- <sup>28</sup> The biggest problem lies in the European Commission directive ordering member states to build up independent monitoring agencies alongside the bureaucracies charged with the administration of benefits. See

the protocol of the EU Commission seminar On Post-Accession Rural Development Instruments, 5 May 2003.

<[http://europa.eu.int/comm/agriculture/rur/access/semin\\_en.pdf](http://europa.eu.int/comm/agriculture/rur/access/semin_en.pdf)>.

<sup>29</sup> Elmar Rieger, "Eine Regierung für Regierungen. Territoriale Organisation und Sozialpolitik in der Europäischen Union und in den Vereinigten Staaten", in Walter Müller, Oliver Fromm and Bernd Hansjürgens (eds.), *Regeln für den europäischen Systemwettbewerb. Steuern und soziale Sicherungssysteme* (Marburg 2001), pp. 307–336.

<sup>30</sup> One example for the misunderstanding of integration is the article by Kurt Biedenkopf, "In Vielfalt geeint: Was hält Europa zusammen?", *Transit*, 26, 2003–2004, pp. 29–47. Biedenkopf uses the German experience with reunification as a model and simply assumes that the "wealth expectations of the eastern and south eastern populations will take western living standards as their point of reference. But the German experience shows how difficult it will be to explain to these populations the inevitability of a long trough before they can hope to attain a relative equalization. They will experience more inequality, even if inevitable, as injustice once the previously separating borders have been removed and expectations begin to adapt to the new comparability. The media-sustained transparency of living conditions will further lower the tolerance threshold" (p. 36).

The objective of structural policy is the inner cohesion of regions, not an inter-regional financial adjustment: "In spite of largely opportunistic references to 'solidarity' among Member States, [the Structural Funds] are not equity-based but efficiency-based. Their underlying logic is, and has always been, (accelerated) catch-up growth. There is both theoretical and empirical economic support for the notion that low-income regions – all things equal – will gradually catch up with high income regions. However, this requires human capital to remain within the region and other policies to support, not hinder, the comparative advantages of poor regions. In this setting, catch-up growth can be stimulated, directly and indirectly, by transfers that bring the physical infrastructure (such as telecoms, rail, bridges, tunnels, water treatment, ports, airports) and the soft infrastructure (including vocational training, technical schools, quality of public administration, testing laboratories, project development) up to EU-level standards. Such structural improvements should also help to increase regions' attractiveness for domestic or foreign direct investment. This, in turn, may enhance their growth prospects". Jacques Pelkmans, Daniel Gros, Jorge Núñez Ferrer, *Long-run Economic Aspects of the European Union's Eastern Enlargement*, Scientific Council for Government Studies. WRR Working Documents W 109 (Den Haag 2000), p. 90.

Among other things, this development is unlikely, because the EU citizen does not exist as a social reality. The citizens' market rights do not bring about a political community, because "the market community as such is the most impersonal of practical life into which humans can enter with one another". Max Weber, *Economy and Society* (Berkeley 1987), p. 636.

- <sup>31</sup> See the assessment of François Fejto, "The Soviet decision to compel the 'fraternal parties' to collectivize was certainly part of a master plan aimed at accelerating the adaptation of eastern Europe to the Soviet Union. It was unacceptable for the Kremlin that countries under communist rule should even consider a coexistence of nationalized industry and individual agriculture." François Fejto, *Die Geschichte der Volkdemokratien*, Vol. 1 (Frankfurt am Main 1988), p. 362.
- The spread of American models of capitalism and liberal democracy had been a central component of the US security policy even before the September 11 terrorist attacks on the World Trade Centre and the Pentagon. The US has designed a strategy of macro-political and macroeconomic convergence to meet the security interests of a great power that is no longer able to isolate itself geographically. It believes that all-destructive interest conflicts cannot occur between the various types of welfare capitalism of which it is the centre and leader at the same time. This conviction is based on the notion that the American liberal order is the only valid model for all countries on the path of democratization. See William Pfaff, "The American Mission?" *New York Review of Books*, 6, 2004, pp. 24–28.
- <sup>32</sup> Apart from the special case of agriculture, the EU embodies the citizen's right to a democracy based on the free market economy and to an accordingly enacted control over local powers.
- <sup>33</sup> In other words, the accession of the CEECs puts their political systems on a leash. György Konrád noted that the politicians in those countries "tend to interpret government changes brought about by elections as system changes. They consider a majority of a few percentage points a sufficient mandate to usurp power and thereby supplant public discussion with government decisions. They also endanger the portfolio administrations by filling all senior positions in the public sector and the remaining state enterprises with party officials, which ensures that a large chunk of power, if not all, is concentrated in the hands of the party leadership." Konrád, *Erweiterung*, p. 52.
- <sup>34</sup> Jacques Rupnik, "Die Osterweiterung der Europäischen Union. Anatomie einer Zurückhaltung", in *Transit*, 20, 2000–2001, pp. 87–97. – Also see the assessment of Konrád, "In the former communist countries, there are traditions and spontaneous reflexes that hand command over the economy, public life and culture to a political party." Konrád, *Erweiterung*, p. 54.

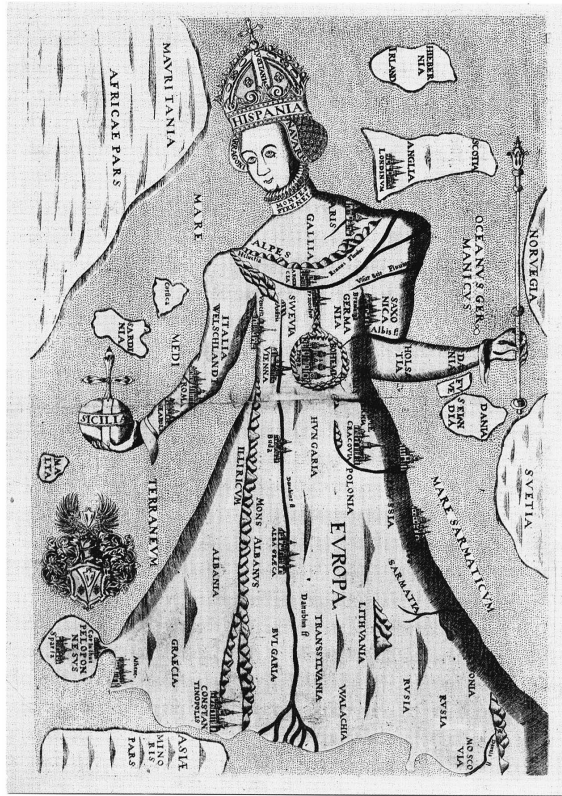
<sup>35</sup> For a description of how oligarchs are taking over politics in Poland, see Pawel Spiewak, "Politik und Demokratie in Polen heute. Eine Zwischenbilanz", in *Transit*, 20, 2000–2001, pp. 55–72.

<sup>36</sup> Jacques Rupnik, "Erweiterung light?", *Transit*, 26, 2003–2004, pp. 62–71, here p. 63. The EU-member states created the financial possibility of eastern enlargement by agreeing on a restrictive budget policy. This decision, however, was motivated more by the desires of the net payers, most notably Germany, than by a realistic estimation of the costs of enlargement. The participants at the Berlin negotiations on Agenda 2000 still assumed that enlargement would not require additional funds, because the system of direct payments would not apply in the accession countries. The market orders would be sufficient to raise and stabilize farmers' incomes in the accession countries. Direct payments would be necessary to compensate the income losses suffered by western European farmers due the decreasing market order prices. See Sylvia Schwaag, S. Serger, "Negotiating CAP – Reform in the European Union. Agenda 2000", Swedish Institute for Food and Agricultural Economics, August 2001. The justification of direct payments on price grounds was given up during the reform of the CAP in June 2003. Direct payments have been decoupled from agricultural output and are now granted as rewards for the production of public goods by farmers. This is why environmental and animal protection regulations play such a central role. At the same time, this reinforces the dependence of agriculture on the state because, as the EU commissioner for agriculture put it, "the market does not pay for" the public goods produced by the farmers. Conversation with Franz Fischler, in *du. Die Zeitschrift für Kultur*, Nr. 728, July-August 2002, pp. 50–53 and p. 134, here p. 51.

<sup>37</sup> 2001 data. Own calculations on the basis of the EU Commission report on the situation in the agricultural sector 2003:

<[http://europa.eu.int/comm/agriculture/agrista/2003/table\\_en/3410.pdf](http://europa.eu.int/comm/agriculture/agrista/2003/table_en/3410.pdf)>

and <[http://europa.eu.int/comm/agriculture/agrista/2003/table\\_en/342.pdf](http://europa.eu.int/comm/agriculture/agrista/2003/table_en/342.pdf)>.



Maiden Europe (1592), Strahovská knihovná, Prague



*Photo: Georgii Petrusov*