The Impact of Central and Eastern Europe on the Common Agricultural Policy

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ABSTRACT

The article examines the impact of the new European Union member states from Central and Eastern Europe (CEE) on the Common Agricultural Policy (CAP) during the period 2004-2013. This article specifically addresses the agricultural policy preferences of the newcomers, emerging coalitions and voting behaviours in the Council of Agricultural Ministers on CAP issues. The analysis shows that the CEE Member States have not been speaking with one voice on specific CAP issues. However, they have become a united and determined group in the quest for more even direct payments under the CAP. This has led to the first redistributive reform in the history of the CAP. Therefore, the preferences of the new members for aligning levels of direct Union-wide aid combined with broader budgetary constraints have provided an additional lever in the CAP reform process. However, at the same time, the CEE member states lack a broader long term vision of the CAP, a fact that reduces their impact on the CAP reform agenda.

KEY WORDS: *Central and Eastern Europe, Common Agricultural Policy, direct payments*

Introduction

The expansion of the European Union (EU) in 2004 and 2007, which included ten post-Communist countries from Central and Eastern Europe (CEE), was one of the most challenging tasks the EU has ever faced. This has been particularly evident in the case of accommodating the agricultural sectors of the CEE countries to the

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Common Agricultural Policy (CAP), the oldest and most-criticized policy of the EU. Full and fast integration of the immense and un-restructured CEE agricultural sectors into the CAP, right after the accession, was considered hugely problematic, if not unfeasible. Clear differences between the agricultural sectors of the old and new member states called for a number of transitional periods and new measures which created *de facto* a two-tier CAP. Fundamentally, the CAP had changed substantially in the years preceding the CEE countries' accession to the EU. Basic objectives of the policy, notably increasing agricultural productivity, ensuring food security, market stability, a fair standard of living for the farm community and reasonable prices for consumers, remained unaltered. However, the CAP's instruments and support systems underwent extensive revision and modernization. The MacSharry reform of 1992, which coincided with the Uruguay round negotiations on agriculture under the General Agreement on Tariffs and Trade (GATT), was the first serious attempt to improve the policy. Further attempts, driven mainly by the need to make the policy more compatible with the World Trade Organization (WTO) requirements, were made in 1999 and 2003. As a result, the CAP moved away from clearly trade distorting price guarantees to direct income payments, which, in principle, had been decoupled from production and linked to some basic legal standards for farming which included i.e. standards concerning the environment (cross-compliance). Also, the second pillar of the CAP, covering rural development policy, was established and then strengthened.

Since the CAP ceased to focus on production and price guarantees and started to directly support farm incomes, the CEE countries' accession and integration into CAP structures was widely expected to entail serious budgetary costs for the EU. Low agricultural productivity in the CEE countries heralded rather moderate expenses for the market support measures, but high agricultural employment implied that the CAP's budget costs related to direct payments would have to increase significantly. At the outset of the 2000s, over 8 million people were still employed in agriculture in the CEE region (European Commission 2002). Not surprisingly, the EU-15 wished to limit the budgetary costs of agricultural support in the new member states, arguing that direct payments were inadequate for transition economies. Instead, the CEE negotiators fought for the best financial conditions of integration with the CAP, and particularly for direct payments, which were considered indispensable for increasing farm incomes, agricultural competitiveness

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and production potential. Eventually, a compromise solution that would ensure new members would be included in the system of direct payments was agreed, although it was decided that payments would start at 25 percent and would reach 100 percent of the level of payments applicable in the EU-15 only after ten years (*phasing-in*) – in 2013 in case of the 2004 entrants, and in 2016 in case of Bulgaria and Romania. It was agreed that payments would be distributed in a simplified scheme, called Single Area Payment Scheme (SAPS), based on flat rates of aid, i.e. the same level of payment per hectare for all farmers. These new member states were also given an option to pay their farmers complementary national direct payments during the transitional period to reduce the gap between the rate of payments in the EU-15 and the payments under the phasing-in mechanism.

The first ten years of the CEE countries' membership in the EU indicate that, despite initial fears, integration into the agricultural sphere has been quite successful. Along with the accession to the common market, agricultural prices in the CEE gradually rose and the general situation of farmers in these countries has improved. Most importantly, agricultural restructuring and modernization has accelerated (see Möllers, Buchenrieder, Csáki 2011). Obviously, some countries still remain predominately agricultural. Also a large share of subsistence and semi-subsistence farms in the agriculture sectors of all CEE member states (CEE-MS) remains a continuing problem. Yet, on the whole, the CEE region is in fact less agricultural than commonly thought. In the Czech Republic agricultural employment does not exceed 3 percent of the total labour force. In other countries of the region the number of employed in the sector has also been steadily decreasing. For example, in Latvia and Lithuania agricultural employment declined respectively by about 45 and 50 percent between 2004 and 2011; in Slovakia, the number of farmers decreased by more than one third in the same period. At the same time though, CEE states retain a higher than average percentage of agricultural workers within the general working population; for example, Romania, 31.4% and Bulgaria, 19.4% (European Commission 2013a, p. 10). In terms of the EU's overall agricultural workforce, more than 40% is accounted for by Romania and Poland (European Commission 2013a, p. 10).

Given these characteristics, the CEE-MS have been often treated as a single block with the same agricultural policy preferences and needs. Following the experience of the accession negotiations, they have also been portrayed as ardent

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supporters of agricultural protectionism and potential veto players in the CAP reform process. Generally, concerns that CAP reform would be much more difficult after eastern enlargement have been raised repeatedly since the end of 1990s (see, Josling *et al.* 1998; Daugbjerg & Swinbank 2004). It has been also pointed out that the range of changes acceptable in the EU-27 might be less reform-oriented or less effective than in the EU-15 (see, Henning 2008). Most importantly, it was expected that the new member states would be asking for a higher level of support after accession. Farmers in the new member states were to receive far lower direct payments per hectare than their counterparts in the EU-15, even after the end of the phasing-in. This was a consequence of historical reference values used for the distribution of direct aids. These reference values were based on past agricultural production which was relatively small in the CEE countries. Indeed, soon after their accession the CEE-MS started to question the system of direct aids distribution. Therefore, one could wonder whether the claims by the CEE-MS to increase the level of payments would not bring the CAP decision making back into the restaurant table game. On the one hand, there have been some older member states with vested interests in the historical distribution of the CAP budget, on the other the newcomers had a strong preference for the larger share of the CAP subsidies. During the accession negotiations, the CEE countries were in a weaker bargaining position, which limited their leeway to unreservedly advancing their national interests. However, following the enlargement, the CEE countries could engage in asking ex-post for a higher level of support as fully-fledged EU member states, with some votes to give. Thus, it is worth examining in more detail the post-accession bargaining over the issue of direct payments' levels in the EU. This is a particularly important question since direct payments still are the most important instrument of the CAP absorbing over 75% of the CAP budget.

Hence the aim of this article is to analyse the impact of the CEE-MS on the CAP with a special focus on the question of external convergence of direct payments. The article will explain agricultural policy preferences of the newcomers and their motivation towards higher direct aids. Also, the role of the newcomers in the CAP decision-making will be examined to see whether and, if yes, how CEE accession to the EU changed broader policy coalitions in the Council of Agricultural Ministers (CoAM). The fundamental question is centred around how agricultural preferences of the CEE-MS, and particularly how the preferences for the redistribution of direct

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payments affected the CAP reform process. The analysis will include ten EU member states, namely Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, and Slovenia.[2] While taking stock of the role of the new member states in agricultural decision making, the analysis will be basically restricted to the discussion of the most important CAP changes undertaken between 2004 and 2013, including the so-called 'Health Check' and the 2013 reform of the CAP. Studies dealing specifically with the CEE countries impact on the CAP have been in fact scarce (Josling *et al.* 1998; Brümmer & Koester 2003, Daugbjerg & Swinbank 2004). In addition, most research has been done before the enlargement on the basis of the pre-accession agricultural preferences of the CEE countries. Hence this study intends to fill the gap in the literature by analysing both the actual agricultural preferences of the newcomers and the post-accession CAP decision-making.

The article draws on the political economy perspective and is structured as follows. Section two discusses major theoretical concepts useful in explaining the CAP decision making. In this section, fundamental features of agricultural policy making in the EU are also highlighted. Section three examines agricultural policy preferences of the CEE-MS and the CEE governments' positions towards direct payments. Section four presents the institutional context of agricultural bargaining in the CoAM after the 2004 and 2007 enlargements and major agricultural coalitions. It also discusses the CEE-MS voting power and voting behaviours in subsequent CAP reforms. Section five tracks the CEE-MS quest for the redistribution of direct payments between the EU member states. The analysis of the CEE countries' preferences and positions are based on information extracted from the ParlGov database (Döring and Manow 2012), official government documents, EU institutions' communications, press releases and video-streams of legislative deliberations in the Council of Agricultural Ministers. Voting behaviours have been investigated with the aid of the Council's minutes from the period 2004-2013. The article ends with concluding remarks.

[2] This group will be referred to throughout the article as either the CEE-MS, new member states or newcomers.

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The Political Economy of the CAP Decision Making

Traditional theories of European integration offer limited explanation of the EU decision-making processes. Also, formal analyses of voting behaviours based either on Banzhaf or Shapley-Shubik power indices do not suffice, particularly when one aims to explain sectorial policies such as the CAP (Pokrivčák, Crombez & Swinnen 2006). Key variables in analysing CAP decision-making include, besides EU institutions and procedures, member states' national preferences and political exchanges between actors. For that reason, the economics of social choice which focuses on problems of aggregating and transforming individual preferences into collective decision outcomes seems to be of great value. Theoretical insights from this approach are useful both in explaining domestically-determined national preferences (most often within public choice framework), and also in predicting bargaining behaviours and voting outcomes at the EU level (mainly with the aid of game theoretical analysis and various formal decision-making models)

The CAP decision-making literature provides many insights derived from the public choice approaches and social choice theory (see, Senior Nello 1984; Runge & Witzke 1990; Tarditi 2002; Nedergaard 2006). Researchers have long been puzzled by farmers' influence over the policy outcomes, and especially by their ability to maintain a high level of public support in the agriculture sector. The theory of collective action developed by Olson (1965) and formal models of competition among pressure groups (Becker 1983) have provided fundamental explanations for the power of farm lobby in the developed countries. With relatively homogenous preferences and the decreasing number of members, farm unions have proved successful in controlling free-riding, and hence in organizing for collective action aimed at pressuring the government. In the specific context of the EU, farm lobby proved extremely effective. Agricultural interest groups have been lobbying for subsidies at two different levels simultaneously. They pressured individual governments at national level and the EU institutions at supranational level. Consequently, agricultural support levels increased significantly, and caused serious budgetary problems, sometimes referred to as a "restaurant table" effect (Schmitt 1984, Runge &Witzke 1987). Although the average level of support to farmers is now lower than in the past, farmers are still one of the most subsidized socio-economic groups in the EU. Traditionally, they are against any changes in

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agricultural support systems, which is the fundamental reason behind the difficulties in large-scale reforming the CAP.

Numerous studies have shed light on the formation of national preferences in the agricultural field and on constellations of national interests of the member states to determine the opportunities for major reforms of the CAP (i.e. Serger 2001, Kosior 2005, Kim 2010). Agricultural policy preferences have been generally explained as the result of the complex interplay between various national political economy characteristics. The role of agriculture in the national economy, agrarian structures, general economic situation, state-society relations and the power of the farm vote in the domestic politics all influence the approach governments take towards the agriculture sector and agricultural policy regulations. The formation of agricultural policy preferences in individual EU member states is, in addition, crucially shaped by the broader political economy context of the European integration process. Specifically, the principle of solidarity in the EU and the common financing of the farm support schemes bias the preferences of the member states in favour or against specific policy solutions, depending on whether they are net beneficiaries or net contributors to the CAP budget. These preferences are most often quite independent of the substantive national preferences regarding the desired level of public spending in the sector (de Gorter & Pokrivčák 2000).[3]

Poor reform results in the CAP area have most often been seen as the combined effect of the three components of agricultural policy-making in the EU – (a) the privileged position of farm interest groups, (b) a tendency towards unanimity in the Council (despite formal qualified majority voting rule), and (c) the frequent logrolling practices observed between the member states. The latter two are generally characteristic for broader EU decision-making processes and theoretically should expand the zone of possible agreements. However, combined with rent-seeking – the competition for government favours and subsidies (see Krueger 1974), they have had a clearly constraining effect on CAP reforms. Farm interest groups proved quite successful in pressuring government for various benefits. They also proved successful in blocking unwanted changes in agricultural support schemes in subsequent CAP reform rounds. A multi-channel institutional environment such as the EU, which is very accessible to lobbying by both European peak organizations,

[3] The preference of the net contributors to cut agricultural expenditures at Community level does not necessarily mean that they wish to cut farm spending at national level.

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notably European Farmers-European Agri-Cooperatives (COPA-COGECA) and national farm unions, had additionally strengthened the power of farmers (Pappi & Henning 1999). In many EU countries, the farm vote has proven pivotal in parliamentary and other elections, and thus gained a disproportionate influence on the policy process.

The *status quo* bias in the CAP decision-making was also favoured by specific institutional set-up of the EU (Pokrivčák, Crombez & Swinnen 2006). Although all CAP proposals originated from the supranational Commission, decisions were taken solely by agriculture ministers in the Council. The Council of Ministers, as the main decision-making body for the CAP, not only remained under the unceasing influence of national farm lobbies, but it was also a relatively isolated institution in the EU. The isolation was strengthened by the fact that deliberations in the CoAM were and still are prepared by the Special Committee on Agriculture, composed solely of national agricultural officials. In addition, ministers could ignore the European Parliament's vote for more than 50 years. The recent Treaty of Lisbon has however extended the co-decision procedure to the CAP ending this power imbalance. Nonetheless, taking into account the traditionally conservative stance of the members of the European Parliament's committee on agriculture, this may have limited impact on improving the reform prospects.

Basically, with the mentioned informal norm of unanimous decision-making in the Council, broader CAP reforms seem more difficult to introduce. A consensual style of agricultural policy-making has been in use since the very beginning of the Community and still is clearly noticeable. Though unanimity has been commonly thought of as the best voting arrangement for promoting Pareto optimality, in the *quasi* federal EU system, with no exit option, it was producing rather inefficient public-policy outcomes. Specifically, in the CAP policy making consensus-based decisions has been leading to joint-decision traps (Scharpf 1988). As a result, economic gains accruing to farmers have been far too small to compensate large deadweight losses to society (Tarditi 2003).

Unfortunately, subsequent changes in the CAP have not done much to rectify the situation. The passing of reform legislation usually required numerous side payments, which have tended to increase the overall cost of the CAP, at least in the short-term. Package deals and issue bundling, extensively present in the CAP, have been encouraging players to use a number of logrolling strategies. The room for

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exchange and vote trading has been expanding along with the subsequent enlargements and the growing heterogeneity of policy preferences. With new instruments and measures added to the CAP in the 1990s and the 2000s, EU agricultural policy-making has clearly become a multi-issue negotiation exercise involving multiple actors and multiple interests. Naturally, political exchange strategies have been necessary in the decision process. On the other hand, a general openness to exchanges with informal unanimity rule has made special, last-minute and often non-negotiable requests more frequent during the bargaining game. Consequently, final decisions by the Council have usually deviated substantially from the original proposals contained in the Commission's draft legislation. As a result – with both logrolling and 'shopping lists' of demands – many reform-oriented CAP policy packages have been diluted or lost in the usual course of bargaining.

Overall, the political economy context of the CAP decision making has favoured rather incremental and path-dependent changes. Hence it has been argued that without significant external shocks or pressures such as those made through the World Trade Organisation (WTO), more profound reforms in the CAP are impossible (see, Pokrivčák, Crombez & Swinnen 2006). Generally, enlargement processes have not been considered an important factor in triggering demand for CAP reform. Nonetheless, despite some sceptical voices, eastern enlargement seems to have certain pressure potential. Specifically, it can be assumed that the increased number of the member states together with the increased heterogeneity of national interests may impose limits on consensual decision-making in the EU, which has been considered to favour the maintenance of the status quo. The inclusion of the CEE-MS interests into the CAP decision-making game has been basically seen as a factor contributing to the increased demand for more agricultural protectionism in the EU. Yet, it should be remembered that eastern enlargement has made the EU more agricultural. This paradoxically has been considered conducive to reducing the level of agricultural support in the EU. As the political economy literature shows, countries with small agricultural employment tend to subsidize their agricultural sectors whereas countries with relatively high employment in agriculture tend to discriminate against farmers (Bilal 2000). In the specific context of the EU, with support schemes financed from the common budget, the accession of more agricultural countries from Central and Eastern Europe has intensified the

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preferences of net contributors to the EU budget to cut agricultural subsidies (de Gorter & Pokrivčák 2000). Instead, specific accession arrangements have intensified the preferences of the CEE-MS to change the system of direct payments. Therefore, it can be presumed that the CEE-MS dissatisfaction with the historical CAP combined with new budgetary constraints may provide an additional lever in the CAP reform process.

Agricultural Policy Preferences of the CEE-MS

Undoubtedly, the CAP is one of the most important EU policies for newcomers since agriculture is still an important economic sector in most of the CEE-MS. Apart from obvious economic factors, there are also political reasons which explain why the new member states attach so much significance to the CAP.

Farmers represent an important and, in most countries of the region, sizeable segment of the electorate. Despite their numbers, they have proved extremely effective in organizing for collective action (Kovács & Swain 1997; Sharman 2003; Yakova 2005). Moreover, agricultural interest groups managed to develop very close relations both with different political parties sitting in the parliament and with government officials. Peasant political parties or parties openly appealing to rural electorate have also been highly influential in political terms in some countries of the region (Rose & Munro 2003, (Döring & Manow 2012). For example, the Polish Peasant Party (*Polskie Stronnictwo Ludowe* – PSL) has been part of a governing coalition four times since 1989, despite rather weak performance in parliamentary elections. Between 2005 and 2007 the nationalistic Law and Justice (*Prawo i Sprawiedliwość* – PiS) party co-ruled in Poland with the populist Self-Defence of the Republic of Poland (*Samoobrona Rzeczpospolitej Polskiej* – SRP), an agrarian party that emerged from the radical farm protest movement in the 1990s. In Latvia the right-wing Farmers' Union (*Latvijas Zemnieku savienība* – LZS) was present in almost all coalition governments in the pre-accession period, except for the years between 1998 and 2002. In 2002 the LZS entered into the alliance with the Green Party, establishing the eurosceptic Green and Farmers' Union (*Zaļo un Zemnieku savienība* – ZZS) that co-ruled in Latvia until 2011. Not only agrarian parties, but also mainstream conservative as well as social democratic parties in the CEE region included in their party manifestos a firm commitment to defend farm community interests (Döring & Manow 2012).

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The CEE-MS preferences regarding the CAP can be generally represented as complex utility functions based on continuous dichotomies between social welfare concerns propelled by political pressures and economic objectives of making agriculture more modern and more competitive on the EU and international markets. With the significant proportion of subsistence and semi-subsistence farms, the CEE governments are generally less prone to accept targeted, and thus more effective, farm payments. This has been particularly visible in countries with small scale farming (notably in Poland) and in countries with a generally higher proportion of subsistence farms, such as Romania, Bulgaria, Hungary and Slovakia. Basically it is expected that the CAP will provide both adequate income support for agricultural producers and social protection for less efficient farms. As such, the CAP has emerged as a crucial welfare state institution and a key supplement to national social policies in many CEE-MS (cf. Rieger 2005). When compared to the wealthier EU member states, the capabilities of supporting agriculture and rural areas' inhabitants from national budgets have been and still are quite limited in most countries of the region. Therefore, it comes as no surprise that external sources of financing agriculture are crucial for the poorer newcomers. Only in the Czech Republic and Slovenia are the levels of GDP *per capita* in purchasing power parity terms relatively close to the EU average.

The CAP has brought clear financial benefits for all the newcomers. Between 2005 and 2012 average incomes of the CEE farmers have increased by about 60 percent. This increase has occurred despite the fact that the CEE farmers have been receiving only a part of the direct payments received by the EU-15 farmers. The largest increase has been observed in Slovakia, Estonia and Lithuania. Average farm income in these countries increased respectively by 2.2 times, 2.1 times and by 1.9 times.[4] However, it should be remembered that the level from which the rise has occurred was very low. It should be also noted that the inequality of income distribution among farmers has risen significantly since the accession. Major contributing factors in this regard have been the existing agricultural structures and specific modes of aid distribution in the EU. Most of the CAP payments, as in the older member states, go to a relatively narrow group of the largest and the richest farmers (Velazquez 2008). Disparities in income levels have

[4] Eurostat (2013) *Economic accounts for agriculture - Agricultural income*, available at http://epp.eurostat.ec.europa.eu/portal/page/portal/agriculture/data/database, accessed 9 April 2014.

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been striking, particularly in the countries where large and very large agricultural holdings dominate in the structure of land use. Nonetheless, the continuing high number of subsistence and semi-subsistence farms in most CEE-MS shows that even a small amount of CAP payments has had its specific supportive function.

The CEE-MS, along with France,[5] Ireland, Spain and Greece, have become major beneficiaries of the CAP budget (i.e. they receive more than they contribute to the CAP coffers). Not surprisingly, the newcomers have been vitally interested in maintaining their favourable net budgetary positions in the next financial perspective 2014-2020. The CEE-MS have also wished to maintain a strong pillar one of the CAP (direct payments and market intervention measures). This preference has been motivated primarily by the need to rebuild their domestic agricultural production potentials. In the years of economic transformation agricultural output declined by 15-30 percent in most countries of the region, and in the Baltic states by as much as 40-50 percent (European Commission 2002). Hence, the newcomers did not agree with the proposals of dismantling market intervention policies or with the phasing-out of direct payments. Although it should be noted that some countries of the region, notably the Czech Republic and Estonia, have been supporting a more liberalized approach to agricultural policy, such as a minimum intervention in selected sectors used as a safety net in case of market disruptions.[6] The Czech Republic has also supported a gradual reduction of the overall expenditures for the CAP in the future which stood in a sharp contrast to the preferences of other new member states.

The wish of most of the CEE-MS to maintain a strong Pillar one of the CAP has been crucially determined by the financial solidarity rule which applies to the financing of direct payments and market intervention. This rule is viewed as essential to the CAP's philosophy and to the functioning of the common agricultural market. Not surprisingly, the newcomers also firmly oppose proposals put forward by some older member states to introduce co-financed direct payments and to shift

[5] France has been a net contributor to the EU general budget, but at the same time she has been the biggest recipient of the CAP funds.

[6] 'Czech Minister: 'More liberal, open and flexible' CAP required', *Euractiv,* 3 July 2008, available at: http://www.euractiv.com/cap/czech-minister-liberal-open-flexible-cap-required/article-173924, accessed 16 January 2014; *Estonia's European Union Policy 2007-2011,* Approved by the Government of the Republic of Estonia on 25 October 2007, available at: http://valitsus.ee/UserFiles/valitsus/en/government-office/european-union/eu-policy-of-the-government/the-government_s-eu-policy-for/ELPOL_2007_2011_EN.pdf, accessed 16 January 2014.

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the costs of the CAP support from the Community to national budgets. They firmly defend the common character of the CAP. This also explains the rather cautious approach of most of the CEE-MS to increasing the role of the second pillar of the CAP. As Pillar two requires national co-financing, it is generally more burdensome for beneficiaries, and thus less attractive for the poorer member states. Nonetheless, again the Czech Republic, Estonia and also Lithuania have supported the idea of increasing the funding for rural development policy. In addition, Estonia has acknowledged the need for strengthening of measures targeting environmental protection.[7] The remaining CEE-MS have not rejected the concept of a strong Pillar two, acknowledging its crucial role in securing a sound and sustainable rural development in Europe. But at the same time, they stressed that the process of strengthening the second pillar should not be realized at the cost of Pillar one allocations. Also, further greening of the CAP has been rather cautiously seen by most of the CEE-MS as a measure that may bring additional costs for the CEE farmers.

Soon after accession, the new members started to criticize the fact that farm payments in the EU-15 under Pillar one were based on historical quantities, in other words, on the level of payments received by farmers in the 2000-2002 reference period. During this period support to EU-15 farmers was relatively high, as was the production. In contrast, payment entitlements for farmers in the CEE member states were determined on the basis of relatively low yields recorded during the difficult years of economic transformation. As a result, differences in the level of direct aid payments between old and new member states turned out to be quite striking in the 2000s (see **Graph 1**).

[7] *Estonia's European Union Policy 2011-2015,* p.43, available at: https://valitsus.ee/UserFiles/valitsus/en/government-office/european-union/eu-policy-of-the-government/Eesti%20EL%20poliitika_ENG.pdf, accessed 16 January 2014.

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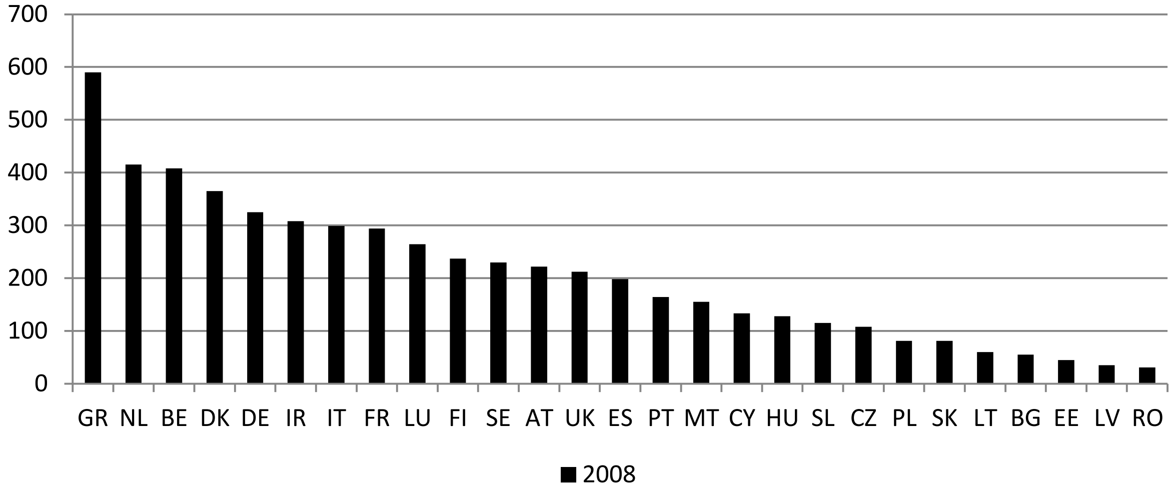
Graph 1: Average level of direct payments per hectare in EUR (funded from the EU budget) in 2008 by individual member states



Source: European Parliament (2010, p. 45)

The CAP, though based on the principle of decoupling (the cutting of the link between subsidies and production), still favoured countries which had historically chosen more intensive farming and had additionally pursued specific types of production, like dairy, beef or olive oil which were heavily supported by the Community in past decades. Overall, criteria referring to historical payments and hence to past production levels have been recognized by the CEE-MS as contributing to unprecedented inequalities in the distribution of CAP payments in the enlarged Union. This, in the opinion of the CEE-MS, has been distorting the conditions of equal competition on the single European market and could also contribute to freezing social inequalities in the rural areas of the EU.

Following the phasing-in of direct payments most countries of the CEE region will see their payments brought closer to the EU average. However, the majority would continue to receive far lower levels of support. These differences were expected to be particularly striking for the Baltic states and Romania. Not surprisingly, a change in the system of direct aids, such as the introduction of more even payments, has become a common goal of the newcomers. The preferences for a new system of direct payments did not however imply that the newcomers were holding out for increasing the overall budget of the CAP. Most of the CEE-MS have been stressing the need to maintain at least the current level of the CAP budget. This formed part of a defence strategy against the threat of reducing agricultural spending in the EU in the next programming period. Thus, the CEE preferences for direct payments

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have fundamentally boiled down to a plea for a new redistribution of Pillar one support in the EU. The CEE- motivations and their attitudes towards the CAP reforms in the period up to 2013 are presented in more detail in Annex 1.

This overview illustrates that the CEE member states, although not speaking with one voice on specific CAP issues, have had the same preferences concerning the fundamentals of the CAP. Most importantly, the new member states have defended the community character of the policy. Secondly, all but the Czech Republic have supported the unchanged size of the CAP budget in the future. Thirdly, given common accession arrangements and relatively low level of direct payments, the CEE countries coalesced as natural partners in stressing the un-tenability of a system of CAP support based on historical spending patterns. As a result, the preferences of the new member states in the area of the CAP, during the early years of their EU membership, reflected a specific mixture of a drive to preserve the *status quo* and of attempts to change the core of the CAP – the system of direct payments.

Coalitions and Voting Behaviours in the Council of Agricultural Ministers

Following the EU's eastern enlargement, agricultural bargaining between the member states and negotiations between the Council and the Commission have become more complex and less predictable than in the EU-15. Coalition possibilities and the number of potential trade-offs between players have increased significantly. Most importantly, the traditional consensual style of decision-making in the CoAM, known since the early years of the CAP, seemed to give way to more formal procedures. Basically, policy-making mechanisms and norms in the EU have been subjected to a process of dynamic change driven by the need to maintain a relative efficiency of the policy process in the new and more demanding environment. Given significantly larger number of delegations in the Council and often irreconcilable positions of the delegates in the Special Committee on Agriculture, it is more difficult to continue negotiations until unanimous agreement is reached. Hence, as a recourse, formal qualified majority voting (QMV) in the CAP has become more common in the CoAM in recent years.[8]

[8] Between May 2004 and December 2013 147 legal acts in the CAP area were adopted. From this number, about 40 can be considered important decisions changing or reforming the CAP. Only a few of them were adopted by consensus. 'Council minutes concerning the adoption of legal acts (2004-

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The CEE-MS as a group garnered enough voting power to become influential players in the CAP. Following pressures from the Polish government, decision-making in the Council is still based on the old (Nice) system of weighting votes. The new system of double majority as enshrined in the Treaty of Lisbon of 2009 will be applied only from 1 November 2014.[9] In addition, until 31 March 2017 any member state can ask the Council to resort to the Nice treaty voting weights while adopting important decisions. In contrast to double majority voting, the Nice arrangements give a comparative advantage to smaller and medium-sized member states. The CEE-MS, while acting together, have 101 votes, which is sufficient to form a blocking minority in the Council.[10] The Lisbon Treaty new voting arrangements do not endow the newcomers with such power.

However, as mentioned in the previous section, except for the fundamental issues, the interests of the CEE-MS in specific CAP areas have been differentiated. This particularly concerned the reforms on individual agricultural markets. Depending on the sector concerned, some of the CEE-MS have presented a decidedly more protectionist approach, while others have been more reform-oriented. Therefore, a blocking minority power has appeared to be of limited value. The CEE-MS have not formed an anti-reform coalition that would be torpedoing liberalizing changes in the system of market intervention or other CAP adjustments. Some new member states were more prone to vote against specific CAP decisions to show their broader dissatisfaction with the CAP. These decisions included both decisions directed towards CAP liberalization and decisions maintaining the *status quo*. When taking account of the number of votes cast against CAP decisions in the CoAM, Slovakia and the Baltic States seemed to be among the most dissatisfied new member states (see **Table 1**). Basically, however, the CEE-MS have not been vetoing CAP decisions any more frequently than the older member states.

2013)', *Public Register of the Council of the European Union* available via http://www.consilium.europa.eu/showPage.aspx?id=552&lang=EN, accessed February 2014.

[9] It should therefore be remembered that all actual voting behaviours and Council decisions analysed in the article have been based on arrangements of the Nice Treaty.

[10] After Croatia's accession in July 2013 the number of votes of the new member states increased to 108. Croatia, as the country with the phasing-in mechanism, will be probably interested in taking part in broader agricultural coalitions with other CEE-MS.

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Table 1: CEE-MS voting behaviour in the CoAM* (May 2004-December 2013)**

	BG	CZ	EE	HU	LT	LV	PL	RO	SI	SK	CEE-MS	Other EU MS
Voting against	2	2	4	0	5	4	3	1	1	7	29	55
Abstentions	0	6	2	3	2	4	2	3	0	1	23	41

*Notes: *The number of Council acts in the field of agriculture: 147;** January 2007-December 2013 for BG and RO.*
Source: Calculations based on 'Council minutes concerning the adoption of legal acts' (2004-2013).

In 2005, while adopting the first important CAP reform after eastern enlargement (the reform of the sugar market regime), only Poland, Lithuania and Greece decided to vote against the whole reform package. In 2007, Bulgaria rejected the decision on ending maize intervention. Yet, Hungary, where maize production is of a particular importance, only abstained. Then again, individual CEE-MS tended to use commodity market reforms to express their broader dissatisfaction with the CAP. For example, in December 2006 Latvia decided to vote against the reform of the banana regime, together with Sweden and the United Kingdom, on the basis that the reform was too expensive. Latvia protested against the fact that banana producers in the outermost regions of the EU enjoyed higher level of support than Latvian farmers. These are only a few examples of voting behaviours in the CoAM, however, they show that the newcomers, as a group, have not taken the role of veto players in the CAP reform process.

The analysis of the CEE-MS activities in the CoAM also shows that the newcomers have been engaged in various larger and smaller coalitions, both with each other and with the older member states. Following the accession, the CEE-MS joined the coalition of the CAP defenders, i.e. member states that supported maintaining the current level of CAP expenditures and agricultural protection. This coalition was composed of old cohesion countries (Greece, Spain, Portugal and Ireland), and other member states responsive to farm demands. However, in subsequent years, this coalition has been left by the Czech Republic and Estonia, who displayed a preference towards a more liberal agricultural policy. Nonetheless, the CEE-MS still cooperated with each other in a smaller coalition pushing for new criteria for the distribution of direct aids. The historical system of direct payments distribution was considered highly unfair, therefore the new member states pushed for new redistribution, yet within unchanged level of agricultural spending. The

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Czech Republic was ready to accept new rules for direct payments allocations even with a smaller size of the CAP budget.

The CEE states started to cooperate with each other on the issue of direct payments already in the first post-accession years. Initially, they were quite alone in their efforts to reform the system. Only Portugal, who was clearly disadvantaged by the historic payments has been advocating for a change in this area. However, by the end of the 2007-2013 financial perspective, the group received support votes from some other older EU member states with direct payments below the EU average (notably Spain, Finland, Sweden and the United Kingdom). The power of the coalition increased significantly, however at the same time, approaches to resolving the issue of uneven levels of direct payments have become more differentiated and nuanced within the group. Some CEE-MS have seen their payments increased following the phasing-in and therefore have become less active in the coalition. This concerned Hungary in particular. Other CEE-MS with very intense preferences, notably the Baltic States, have enhanced their cooperation. In the following sub-section, the actions undertaken by the CEE-MS with the aim of changing the criteria for the distribution of direct aids will be analysed in more detail.

The issue of uneven payments and the CAP reforms

The first major opportunity to discuss huge disproportions in levels of direct payments came about in 2008 with the review of the 2003 reform of the CAP, the so-called health check.[11] The Commission's communication on the health-check and then the legislative package did not include proposals for resolving the problem of uneven direct payments between countries. Nonetheless, the CEE-MS focused on this issue during the whole process of the health check negotiations. In the joint statement included in the conclusions of the CoAM of March 2008, the CEE-MS reiterated that historical references used in the 2003 reform process are losing credibility, particularly in the context of moving forward with the decoupling process.[12] Specifically, the newcomers postulated a thorough review of the criteria for the distribution of direct aid payments and called for a new single payment system with the same or roughly the same rates of direct payments in the whole EU.

[11] 'Health Check of the Common Agricultural Policy', available at: http://ec.europa.eu/agriculture/healthcheck/index_en.htm, accessed 16 January 2014.
[12] *Joint Statement by Bulgaria, the Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Hungary, Poland, Romania and Slovakia* (Council of the European Union, Brussels, 31 March 2008, 7150/08).

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Most of the CEE-MS stressed that the new system should be as simple as the Single Area Payment Scheme.

The option of the same payment levels across the EU raised, however, a number of controversies in other member states. It has also been criticized by the Commission. The Commission noticed that such a system would disregard some fundamental differences between the member states, such as local levels of GDP. Such a solution was also recognized as having substantial, and possibly negative, redistribution effects, and most importantly, not improving the situation whereby the largest farms get the biggest share of direct aid allocations (European Commission 2008). Nonetheless, at the same time the Commission pointed out that some alignment of direct payments would be desirable. This basically concerned the older member states that had chosen the historical system for direct aids distribution. Already in 2002 the Commission acknowledged that direct payments introduced with the 1992 reform had lost some of their compensatory character and had instead become income payments (Swinbank, 2004, p. 31). In its health-check communication the Commission also admitted that with time going by payments based on past levels of production would become more difficult to justify. Therefore it was suggested to move away from payments based on historical receipts towards a "flatter rate" system (European Commission, 2007, p. 4). These ideas, as basically referring only to the internal convergence of direct payments within the older member states, have not met the expectations of the newcomers. In October 2008 the CEE-MS stressed the need for an official declaration containing a firm and clear commitment to aligning the levels of direct payments throughout the EU.[13] Consequently, the new member states made their support for the health check package conditional upon a commitment that the question of existing inequalities in the level of direct payments between member states would be satisfactorily resolved in the very near future.

The political agreement between the member states, eventually reached on the 20th of November 2008, could hardly solve the problem of existing inequalities in the CAP. However, the compromise text of the health check package mentioned that the Council and the Commission 'are committed to thoroughly examine the

[13] *Joint Request by Bulgaria, Cyprus, Latvia, Lithuania, Hungary, Poland, Romania, Slovakia and Slovenia aimed at achieving the health check agreement acceptable for all MS*, 2008, http://www.agri.ee/public/CAP_HC/11.10.2008_9_uue_liikmesriigi_yhisdeklaratsioon_HC_osas.pdf, accessed 21 February 2014.

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possibilities for development of the direct payment system in the Community and addressing the differing levels of the direct payments between Member States'.[14] The commitment met with positive reactions from the majority of the CEE governments, though they also expressed regret that no specific date for the review had been fixed. Latvia, Lithuania, Estonia, the Czech Republic and Slovakia pointed to the fact that the compromise finally accepted could have done more to harmonize the support levels in the old and new member states.[15] To express its disappointment with the Council compromise, Latvia decided to veto the French presidency proposals for the CAP post 2013 that were formally debated in Brussels a week after the conclusion of the health check negotiations.[16]

The dissatisfaction with the outcomes of the health check was once again manifested on 19 January 2009, during the formal adoption of the CAP health check legislative acts. Latvia, Estonia and Slovakia decided to vote against the key regulations. The Czech Republic, having taken over the EU presidency on January 1, abstained on the whole package.[17] These votes were largely a symbolic protest gesture since political compromise was already agreed on in November 2008. Yet, the decisions to vote against or to abstain reaffirmed the determination of the countries concerned to change the CAP rules, and especially to ensure more equal payments across member states. The remaining CEE members decided to endorse the health-check agreement which, after all, included a number of modalities for the new member states and, most importantly, the commitment to address the issue of existing inequalities in farm payments.

Following the health-check exercise, the problem of direct payments' distribution has become one of the major issues in the debate about the CAP beyond 2013. The need to make CAP support equitable and balanced both between member states and farmers by reducing disparities across countries was formally announced by the Commission in the communication issued in the lead up to the initiation of a new round of CAP reforms (European Commission 2010, p. 6). It was not without

[14] *Revised and Final Presidency Compromise on Health-Check Proposals* (Council of the European Union, Brussels, 20 November 2008, 16049/08).
[15] See, for example, the opinion of the then Estonian minister of agriculture Helir-Valdor Seeder, available at http://www.agri.ee/index.php?id=32915, accessed 21 February 2014.
[16] *Latvia together with other Member States in Brussels obstructs the guidelines for development of the Common Agricultural Policy after 2013 proposed by the French Presidency* (Press Release of the Ministry of Agriculture of the Republic of Latvia, 28.11.2008). The guidelines were also rejected by the United Kingdom and Sweden, albeit for different reasons.
[17] *2918th meeting of the Council Agriculture and Fisheries* (Council of the European Union, Brussels, 19 January 2009, 5471/09).

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significance that the document was prepared by the new Agriculture Commissioner Dacian Cioloș, a former Agriculture Minister of Romania who took active part in the health-check negotiations in 2008. Cioloș, as the first Agriculture Commissioner from Central and Eastern Europe was undoubtedly more responsive to arguments against payments based on historical farm individual references. But at the same time he was fully aware of the difficult task of reconciling differing national interests in the Union composed of 27 individual member states.[18]

When explaining reform orientation the 2010 communication clearly referred to the need for the redistribution, redesign and better targeting of direct support to farmers so as to add value and quality in spending (European Commission 2010, p. 8). Then again in the impact assessment of the 2011 reform proposals the Commission reiterated the need for a more equitable distribution of direct payments between member states and between farmers (European Commission 2011a). The Commission not only acknowledged that 'differences in support levels based on historical references cannot be justified on a long term,' but also that 'direct payments based on historical production patterns do not reflect the fact that important environmental public goods tend to be provided by farms with lower yields.' (European Commission 2011a, p.13). Accordingly, the Commission proposed the greening of direct payments and the convergence in rates of direct payments both between and within countries. Concerning external convergence, the Commission reiterated that a flat rate of direct payments is not a feasible solution in the Union composed of member states with different wage levels and input costs. Hence in the formal legislative proposals submitted to the Council and the Parliament in October 2011, the Commission opted for a partial convergence between member states. It was proposed that the member states with direct payments below the level of 90 percent of the EU average payment should close one third of the gap between their current level and this level in the course of the next financial perspective (European Commission 2011b). This implied a redistribution of support between member states. The convergence was to be financed proportionally by all member states with direct payments above the EU average.

[18] *Cioloș: CAP money slowly shifting eastwards,* Interview with Dacian Cioloș, 12.10.2011, available at http://www.euractiv.com/general/dacian-ciolos-interview-508281, accessed 21 February 2014.

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For most CEE-MS the Commission's proposals for external convergence were clearly disappointing. First, the pace of convergence was considered too slow. In addition, the improvement in payment allocation for the outliers (i.e. the Baltic States) was hardly noticeable. Yet, the CEE-MS accepted the proposals as the basis for further negotiations. In July 2012 the Visegrad Group countries (i.e. the Czech Republic, Hungary, Poland and Slovakia), together with Bulgaria and Romania officially called for faster convergence of direct payments between Member States. Also, the coalition stressed that new rules should not negatively affect direct payments envelopes of any member state with rates below average in 2013.[19] In autumn 2012, this group, except for Hungary, but with Slovenia, presented the common position on key elements of the CAP reform. The coalition stressed the need for *ambitious convergence of direct payments among Member States*.[20] At the same time, the Baltic States prepared the joint declaration on the implementation of the CAP after 2013 where they stressed that prices and input costs in their countries are close to the EU average, but payments have been the lowest in the EU. Subsequently they called for speeding up the process of levelling direct payments, and for introducing such a system of distribution as *substantial differences between the highest and lowest level of direct payments in the EU are avoided.*[21]

Compromise on the post-2013 CAP, which also included the issue of external convergence, was eventually agreed in September 2013. The arguments of the CEE-MS concerning the need to depart from historic modes for direct aid distribution found broad support both in the Council and among the Members of the European Parliament who co-decided on the reform. The external convergence was expected to raise the level of payments in most of the CEE-MS, but also in some older member states with payments below the EU average (notably in Portugal,

[19] *Common Statement of Ministers of Agriculture of the Visegrad Group + Bulgaria and Romania on key elements of the CAP reform.* Meeting in Rzeszów on 2-3 July 2012, available at http://www.minrol.gov.pl/eng/content/download/36140/201621/file/V-4%20declaration%20on%20CAP%20reform%20(EN).pdf , accessed 24 February 2014.

[20] *Common position of the Ministers of Agriculture of Bulgaria, the Czech Republic, Poland, Romania, Slovakia and Slovenia on key elements of the CAP reform*, Meeting in Warsaw, November 15-16th, 2012, available at http://www.minrol.gov.pl/eng/content/download/38018/211218/file/Statement%20Warsaw%202012.11.15-16_final.pdf, accessed 24 February 2014.

[21] *Joint declaration of Estonia, Latvia and Lithuania on the implementation of the Common Agricultural Policy of the European Union after 2013*, available at http://www.riigikogu.ee/index.php?id=172864 accessed 13 March 2014.

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United Kingdom, Sweden and Spain). Consequently, the Council and the Parliament adopted the Commission's proposal to reduce one third of the gap between the current level of payment and the level of 90 percent of the EU average in the period up to 2020 (European Commission 2013b). Following pressures of the CEE-MS, final compromise also included a guarantee that all member states should attain at least the level of EUR 196 per hectare in current prices by 2020. This solution was particularly beneficial for Estonia, Latvia and Lithuania; these countries would not have reached this level under the initial Commission's proposals (European Parliament 2013, p. 36). Overall, the envisaged redistribution was modest and not ambitious enough in the eyes of the newcomers, but the CEE-MS decided to endorse the final compromise since it also included a number of additional solutions that responded to their specific needs. The newcomers were offered the possibility for maintaining the SAPS until 2020 together with transitional national aids. Possibilities for coupling of support have also been extended. Equally important for some new member states was the opportunity to move resources between the two pillars; some new member states were interested in transferring funds from the second to the first pillar to beef up direct aids (notably Poland and Slovakia), others intended to increase spending on rural development (Estonia, Latvia, Romania). All things considered, new CAP regulations were adopted with unanimous agreement, except for the regulation on rural development, where the Czech Republic abstained, and the regulation on single common market organization, where Germany voted against, and the United Kingdom abstained.

Summing up, the CEE-MS determination in the question of uneven payments has led to a first real redistributive reform in the history of the CAP. In addition, it was decided that the 2014-2020 reform would be introduced with a somewhat smaller CAP budget.[22] Hence, the newcomers' preferences for a higher level of support did not lead to a restaurant table effect. It should not be however forgotten that the CEE-MS approach has been primarily driven by national interests. Yet, given the pre-accession arrangements and specific circumstances following the EU enlargement, specifically increased budgetary constraints, these interests have turned out to have a clearly pro-reform impact. They contributed to the initiation of the redistribution process under the CAP which may result in a further incremental

[22] The amount for Pillar one was cut by 1.8% and for Pillar two by 7.6% (in 2011 prices) (European Commission, 2013b, p. 3).

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reform of the policy. Yet, in other important areas of the CAP reform such as greening of direct payments or market liberalization, most of the CEE-MS displayed a rather conservative attitude which eventually made reforms more difficult. On the other hand, there have been other new member states that were in favour of greater market orientation of the CAP and environmental public goods under agricultural support schemes.

Conclusion

To conclude, the new EU member states from Central and Eastern Europe have brought to the CAP new interests that have had a clear impact on policy reform agenda and policy reform process. The departure from the CAP historical spending patterns, the adaptation of the direct payments' system to the needs of the region and the preservation of the community character of the CAP proved to be the most important common goals of the CEE-MS in the agricultural sphere during the 2004-2013 period. Yet, it should be noted that the CEE pressures for preserving the common CAP and demands to change the rules for direct payments' distribution did not form part of any broader strategy or specific programme for reforming the EU agricultural policy long-term.

Although calls for more even farm subsidies across member states have long been made, only after the eastern enlargement have we seen in the EU a large and determined group of member countries that strived together for a change in this area. The first years following the accession to the EU show that the new member states have been quite active in drawing their agricultural interests into the CAP policy process. As a result, the issue of uneven payments was successfully incorporated on the agenda for subsequent CAP's reforms and by the end of 2013 the first redistributive reform in almost 60-year-old history of the CAP was adopted.

Eastern enlargement not only brought new interests into the CAP-policy process but also induced preference shifts in some older member states in favour of CAP budget cuts. The political economy analyses have accurately predicted that the accession of poorer members from Central and Eastern Europe would increase pressures for the reduction of the overall share of the EU budget devoted to agriculture (see de Gorter & Pokrivčák 2000). Indeed, the 2013 reform was finally adopted with a somewhat smaller budget for the CAP. As it turned out, vested

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interests were no longer able to block either cuts in the CAP budget or changes in support levels between beneficiaries. This shows that the *status quo* bias in the CAP, described in the literature (see Pokrivčák, Crombez, Swinnen, 2006), may be smaller in the enlarged Union than in the EU-15. In this sense, recent enlargements seem to provide a rather favourable framework for further incremental reforms of the CAP.

By presenting the CEE-MS agricultural preferences, this article expands our understanding of the political economy of the CAP reforms in the enlarged EU. However, it should be pointed out that the analysis of the CEE-MS impact on the CAP has been basically limited to the issue of external convergence. Therefore, it yields only a partial picture of the role of the new member states in the CAP decision-making. The role of the CEE-MS preferences in other important areas of the CAP reform, and particularly in the area of greening of direct payments and rural development policy, would require further studies.

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APPENDIX

Annex 1: The CEE-MS attitudes towards the CAP after 2013

MS	Major issues
Bulgaria	**CAP budget:** the levels of financing of the CAP to be maintained, against renationalization **/The system of direct payments:** leaving out of the historical approach in determining the levels of direct payments, aligning the levels between MS, maintaining the SAPS at least until 2020, prolongation of the transitional national aids **/ Coupled support:** important to maintain the current levels of production in sensitive sectors (dairy cows, ewes and goats), raising the percentages of coupled payments **/ Greening of the first pillar:** support for limited greening (the 30% share of green payments considered too high), also against mandatory set aside of agricultural land **/ Degressivity/Capping:** support for the introduction of direct payments ceiling, seen as a means for a fairer distribution of direct aids, funds generated by capping to be spend both under Pillar One and Pillar Two**/ Rural development:** against increasing the importance of environmental spending in rural development programmes, raising the co-financing rates to 85% or 90% in less developed regions to achieve better cohesion**/ Flexibility between pillars:** in favour of flexibility**,** member states with lower level of CAP support should have a possibility to move a higher percentage of funds between pillars/ **Market support:** protectionist approach, intervention should be maintained, effective safety net should be present in all sectors, protective measures should be more flexible and quick applicable
Czech Republic	**CAP budget:** gradual reduction in the CAP spending in the future, against renationalization **/The system of direct payments:** reduction of direct payments, at the same time aligning the levels of direct aids, maintaining the SAPS at least until 2020, prolongation of the transitional national aids **/ Coupled support:** raising the percentages of coupled payments, important for livestock sector (adding pigs to the list of sectors eligible for coupled payments)**/ Greening of the first pillar:** in favour of supporting environmental public goods, but at the same time stressing the need to ensure food security (against removing agricultural land from production), the menu of options should be provided, MS given greater flexibility in choosing greening measures**/ Degressivity/Capping:** firmly against, could cause large holdings to split up in order to avoid aid caps **/ Rural development:** increasing the funding for the second pillar, support for environmental spending under rural development programmes **/ Flexibility between pillars:** support for greater flexibility, priority given to Pillar two **/ Market support:** pro-market orientation, against raising reference/intervention prices
Estonia	**CAP budget:** maintaining the current level of the CAP budget, against renationalization **/The system of direct payments:** aligning the levels of direct aids, maintaining the SAPS at least until 2020, prolongation of the transitional national aids **/ Coupled support:** should be limited to guarantee greater market orientation **/ Greening of the first pillar:** environmental public goods should be supported with direct aids, yet MS should be given greater flexibility in implementing greening (i.a. possibility to include forests to ecological focus areas), set aside not the most effective measure, focus should be given to the use of environmentally friendly technologies in farming**/ Degressivity/Capping:** reservations, could be supported under the conditions that it would not raise administrative costs/lead to artificial division of farms/ **Rural development:** environmental activities important, but agri-food sector should also be included into rural development priorities**/ Flexibility between pillars:** support for reallocating some part of funds from Pillar 1 to Pillar 2**/ Market support:** market orientation should be enhanced, intervention only in the case of emergencies/serious crisis situations

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Hungary	**CAP budget: /The system of direct payments: / Coupled support:** important in many sectors (i.a. milk, beef, sheep, goats, fruit and vegetables), support for increasing the percentage of national envelope to coupled payments **/ Greening of the first pillar:** step in the right direction, but at the same time seen as a threat to maintaining/increasing agricultural production, greening measures should take a form of menu of options to be freely chosen by individual MS, small farms should be exempted**/ Degressivity/Capping:** against, would lead to artificial division of farms, negative impacts on employment**/ Rural development:** reservations towards increasing the importance of environmental spending under Pillar Two, support for single higher co-financing rate in specific areas**/ Market support:** maintaining a strong safety net, reference prices should apply to all sectors, against the weakening of market regulation regime, increasing isoglucose quota
Latvia	**CAP budget:** maintaining the current level of the CAP budget, against renationalization **/The system of direct payments:** firmly against historical spending patterns, support for fast and ambitious external convergence**,** maintaining the SAPS at least until 2020, prolongation of transitional national aids **/ Coupled support:** support for increasing the percentage of the national ceiling for coupled support**/ Greening of the first pillar:** support for greening, but MS should be given flexibility to choose among a menu of greening options, against mandatory set-aside of agricultural land under ecological focus areas **/ Degressivity/Capping:** reservations, could be supported under the conditions that it would not lead to artificial splitting of agricultural holdings **/ Rural development:** Pillar 2 highly important, support for increasing the importance of environmental spending under rural development programmes **/ Flexibility between pillars:** support for flexibility, interested in transferring pillar one funds to rural development under the conditions that these funds would not require co-financing **/ Market support:** support for market intervention, reference prices should be adjusted/raised under the current budget, against sugar quotas
Lithuania	**CAP budget:** should be maintained at least at the current level, against renationalization **/The system of direct payments:** support for ambitious external convergence, levelling out of the rates of direct payments between MS and farmers, SAPS should be maintained beyond 2015, prolongation of transitional national aids**/ Coupled support:** increasing the extent of coupled support **/ Greening of the first pillar:** support for greening, but MS should be given flexibility to choose among a menu of greening options, against mandatory set-aside of agricultural land under ecological focus areas, 7% for EFA considered too high, farms with less than 15 ha should be exempted **/ Degressivity/Capping:** reservations**/ Rural development:** reservations towards increasing the importance of environmental spending, support to Less Favoured Areas important**/ Market support:** protectionist approach, reference prices should be adjusted, sugar quotas should be maintained
Slovakia	**CAP budget:** should be maintained at least at the current level, against renationalization**/ The system of direct payments:** levelling out the rates of payments between farmers and MS (uniform level of direct payments), maintaining the SAPS at least until 2020, prolongation of the transitional national aids **/ Coupled support:** the need to increase the extent of coupled support **/ Greening of the first pillar:** against mandatory greening, ecological focus areas could jeopardize agricultural productivity, it would be enough to rely on cross-compliance requirements **/ Degressivity/Capping:** strongly against reducing direct payments for the largest farms**/ Rural development:** against increasing the importance of environmental spending, agri-environmental measures should be voluntary, co-financing rates should be increased**/ Flexibility between pillars:** interested in moving Pillar 2 funds to increase the level of direct payments under Pillar 1**/ Market support:** protectionist policy needed to maintain food security, intervention should be extended to other products, such as oat and corn, support for the maintenance of export refunds.
Slovenia	**CAP budget:** should be maintained at the current level**,** against renationalization**/The system of direct payments:** against the historical

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	aid distribution, support for external convergence, at the same time against the same rate of payments across regions, member states should have a possibility to differentiate levels of payments between farmers (against regionalization of the Single Payment Scheme)**/ Coupled support:** need to raise the percentages of coupled payments **/ Greening of the first pillar:** support for green direct payments, but the system should be simple and transparent, farm income should not be negatively affected, against set-aside at farm level**/ Degressivity/Capping:** support **/ Rural development:** support for increasing the importance of environmental spending under Pillar 2, priorities in nature conservation and farming in less favoured areas, support for higher rates of co-financing**/ Market support:** enhanced safety net, support for additional intervention measures, reference prices should be adjusted, protective measures needed in the beef, pork and milk sectors
Poland	**CAP budget:** maintaining at least the current level of the CAP budget, against renationalization **/The system of direct payments:** firmly against historical distribution, levelling out the rates of payments between farmers and MS, maintaining the SAPS at least until 2020, prolongation of the transitional national aids **/ Coupled support:** need to raise the percentages of coupled payments **/ Greening of the first pillar:** basically against introducing green direct payments, greening should be achieved through Pillar 2 measures; greening would be also better served by the departure from historical direct aids which promote regions with intensive production methods**/ Degressivity/Capping:** support for introducing caps in payments for the largest farms **/ Rural development:** not only environmental activities, but also agri-food sector should be treated as a priority under rural development programmes**/ Flexibility between pillars:** support for greater flexibility between pillars, transferring Pillar II funds to Pillar One seen as an additional means for increasing the level of direct payments, intention to reallocate 25% of rural development funds **/ Market support:** protectionist approach - extensive intervention needed, automatic intervention buying in beef and veal sectors, intervention needed in the pork sector, maintaining sugar and milk quotas, export subsidies should be maintained.
Romania	**CAP budget:** maintaining at least the current level of the CAP budget, against renationalization **/The system of direct payments:** aligning the levels of direct aids, maintaining the SAPS at least until 2020, prolongation of the transitional national aids **/ Coupled support:** support for raising the percentages of coupled payments **/ Greening of the first pillar:** 30% share of green payments considered too high**,** small farms should be exempted from greening requirements, ecological focus areas should concern only farms above 50 ha **/ Degressivity/Capping:** against the introduction of any upper ceiling for direct payments **/Rural development:** Pillar 2 funds seen as an important measure for the modernization of the agri-food sector, against increasing the importance of environmental spending**/ Flexibility between pillars:** seen as an important measure, intention to increase funding for rural development**/ Market support:** protectionist approach, maintaining sugar and milk quotas, introducing the mechanism for reference price adjustments (cereals, milk, dairy products, pork).

Source: own elaboration on the basis of documentary evidence and public deliberations in the CoAM.

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