Designing Durable Policy Reforms: Gradual Layering in the EU’s Common Agricultural Policy over Three Decades

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Abstract:
The study of policy reform has tended to focus on single stage reforms taking place over a relatively short period. Recent research has drawn attention to gradual policy changes unfolding over extended periods. One strategy of gradual change is policy layering. Policy designers introduce new dimensions to policy by adding new policy instruments or by redesigning existing ones to address new concerns. The limited research on single stage policy reforms highlights that these may not be enduring in the post-enactment phase when circumstances change. We argue that gradual policy layering may create sustainability dynamics that are quite different and can result in lasting reform trajectories. The European Union’s Common Agricultural Policy (CAP) has changed substantially over the last three decades. In response to changing circumstances and emerging policy concerns, new layers have from time-to-time been added. International trade and environmental concerns were introduced from the mid-1980s and early 1990s, and subsequently strengthened. This succession of reforms, brought about through a continuing layering process, proved durable in the long term and resilient to attempts to reverse the policy in the lead-up to the 2013 CAP reform when institutional and political circumstances changed in favour of those who wanted the CAP to backtrack to previous policy designs.

Introduction
The European Union’s (EU) Common Agricultural Policy (CAP) as initially designed in the 1960s and 70s was very resilient to change. This ‘old’ CAP, which focussed on market price support, had reached its zenith by the early 1980s. It resulted in mounting public stocks of products bought into intervention, soaring budget costs, disputes with the EU’s trade partners, and squabbles between the Member States (Swinbank & Tanner 1996: Chapter 3). An earlier attempt to change the policy course—the Mansholt Plan of 1968—had been rebuffed. In 1984, however, with the introduction of milk quotas, the balance of forces began to shift. Then, with the adoption of the MacSharry reform in 1992, the CAP embarked on a course of continued policy change (Daugbjerg 2009). Whilst individual policy-makers may have had a longer-term reform strategy in mind, each ‘reform’ was adopted as a discrete change matched to the circumstances of the time, driven and enabled by the developments in first the GATT and then in the WTO farm trade negotiations (Daugbjerg and Swinbank 2009).

This paper identifies seven significant policy changes (in 1984, 1988, 1992, 1999, 2003, 2008 and 2013) all of which are referred to as reforms in that they mark a switch in policy emphasis or direction. This is not to say that there have not been other, incremental, changes in policy design—the introduction of the co-responsibility levy on milk in 1977, the Small Farmers Scheme in 2001, or the milk package of 2012, for example—but these are the seven ‘reforms’ that would figure strongly in most analysts’ accounts. The politics of the CAP over the last three decades has been one of continuous reform: with the exception of René Steichen, a member of Jacques Delors’ third College of Commissioners that served a short-tenured term in 1993-94, all of the Commissioners for Agriculture since 1981 have presided over a policy reform.2

The series of reforms has had significant impact. Although farmers in Europe still receive comparatively high levels of support, they are now subsidised in much less trade distorting ways as a result of a gradual process of change to the policy instruments. From being predominately a high-price policy in which consumers paid a significant share of the costs of supporting farmers through artificially high consumer prices, the CAP now relies heavily on decoupled direct payments: decoupled in that these taxpayer funded payments to farmers are not linked to price movements or the volume of production, although in the first instance in 1992 they were tied to the area planted to arable crops and the number of grazing livestock kept. Price support created strong incentives for farmers to increase production, often creating surpluses which were disposed of on world markets with the aid of export subsidies, thus distorting those markets. Furthermore, price support relied on high import taxes that restricted trade. Decoupled payments only have a minimal impact because they provide little incentive to increase or even maintain production. Another important development is that since the late 1990s these direct payments have been increasingly linked to

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1 The 2003 Fischler reform might be thought of as a multiple or extended reform process, extending over several years, some under the direction of Franz Fischler’s successor Mariann Fisher-Boel.
2 The European Commission (originally known as the Commission of the European Communities), currently headed by 28 Commissioners, is the EU’s administrative organ. It interacts with the Council of Ministers, on which sit representatives of the Member States, and with the directly elected European Parliament (EP).
compliance with environmental and other public interest regulations, and these *greening* measures are now said to legitimise farm support.

This gradual dual reform trajectory was stable over three decades even though circumstances had changed by 2013. For example, stalemate in the World Trade Organization’s (WTO) Doha Round of trade negotiations following the failure to secure a breakthrough in 2008, meant that external constraints were no longer of pressing concern. The Lisbon Treaty’s extension of the co-decision making powers of the European Parliament (EP) to cover the CAP brought the conservative EP Committee on Agriculture and Rural Development (COMAGRI) into the reform process (Knops and Swinnen, 2014). These developments, arguably, empowered those interests who wanted the CAP to return to a more traditional mode. Despite these significantly changed circumstances, the CAP —WTO compatible and greened as a result of past reforms— by and large remained intact in its 2013 reconfiguration, albeit with some limited backtracking. There was a limited reversal back to more coupled farm payments. Although the trajectory of increased *greening*, adding environmental conditionality to direct payments, was —some would argue— maintained, the environmental enhancement impact of these measures is increasingly questioned, but there was definitely no backtracking on this dimension.

When contrasted with the US experience with agricultural policy reforms in the 1990s, the EU’s achievement is remarkable. The Federal Agriculture Improvement and Reform (FAIR) Act of 1996 was a single-stage reform which phased out a substantial share of agricultural support; but a mere two years later ‘emergency’ payments were introduced to compensate farmers for a decline in commodity prices: ‘The attempt to limit farm subsidies in times of low farm prices proved politically unsustainable’ (Sumner, Arla & Josling, 2007: 7). Patashnik (2003: 219) claims that the 2002 Farm Bill, which then followed, ended ‘the pretence that policy-makers were serious about weaning farmers from government subsidies.’

The twin trajectory of redesigning EU farm price support into WTO-compatible decoupled payments, together with the greening of the CAP, can be characterised as a stepwise process of dual policy layering which then proved to be stable despite the changed circumstances in 2013. By layering, we mean the ‘introduction of new rules on top of or alongside existing ones’ (Mahoney and Thelen 2010, 15) to respond to new policy concerns which cannot be neglected or addressed through symbolic policy measures. Although the CAP has changed substantially it has not been displaced by a fundamentally new policy. New policy instruments have not altered the CAP’s core function of supporting farm incomes. *The question to be addressed in this paper is: Why is it that a gradual redesign of policy through layering may result in an enduring reform path in the post-enactment phase even under changed circumstances?* Gradual policy layering unfolds through a stepwise single, dual or even multiple, dimensional process in which new concerns are added to the policy and subsequently strengthened over time. There is now a distinct literature on gradual institutional change (e.g. Rocco and Thurston 2014) in which the initial emphasis was on categorising, identifying and verifying gradual change processes (e.g. Streeck and Thelen 2005). Recent pioneering research has focused on establishing the conditions under which various types of
gradual change occur (Mahoney and Thelen 2010) and developing indicators in order to measure different types of gradual change (Rocco and Thurston 2014). Whilst these discussions within the institutionalist literature are important for the theoretical development within policy studies, they say little about the durability of policy reform in the post-enactment phases. Although there has been some research on the durability of single stage policy reforms (e.g. Patashnik 2003), there appears to have been none on the conditions influencing the durability of gradual policy reforms. This paper focuses on layering, acknowledging that there are other types of gradual transformation. Policy layering affects the interest configuration within the policy field by influencing actors’ strategies. This has an important impact on whether or not actors remain passive, or mobilise in support of—or in opposition to—the changes which, in turn, determines the durability of the reform trajectory.

In the next section we develop a theoretical proposition on the relationship between policy layering and the durability of gradual reform trajectories. We then demonstrate how the dual international trade and green layers of the CAP developed in tandem. The section focussing on the 2013 reconfiguration of the CAP shows that the reform trajectory proved durable and resulted in only limited policy reversal despite the changed political circumstances after 2008/09.

Layering and Gradual Policy Reform
Patashnik’s (2003) article on the political sustainability of policy reforms questioned what then happened in the post-enactment phase. He argues that some reforms are maintained while for others a reversal may occur soon after adoption. As circumstances change, and they do, as new personalities (and egos) take control, and as new policy concerns come to the fore, policy reversals are quite possible as ‘There is no guarantee that the politicians of tomorrow will share the preferences of today’s leaders’ (Patashnik 2003, 209). While Patashnik’s work on the political sustainability of policy reforms has been widely cited, few scholars have engaged critically with it. Further, Patashnik’s work relates only to single-stage reforms. Gradual policy reform processes seem to create sustainability dynamics that are quite different.

Policies are sustained by coalitions of actors who form their interests on the basis of the actual distribution of policy costs and benefits, or on what they perceive them to be (Pierson 1993, Mahoney and Thelen 2010, 7-14). However, policies may become subject to criticism arising outside the policy sector, or from actors who populate the periphery of the policy network, because of an increasingly negative (real or perceived) impact on the interests that they represent. If sustained this criticism, combined with attempts to redefine the basic understanding of policy, may accumulate pressure for policy changes (Baumgartner and Jones 1993). To accommodate concerns raised by such actors, new layers may be added to the policy in an attempt to decrease pressure for more substantial changes and thus to ensure that policy can continue fulfilling its original purposes, but perhaps in new ways. Layering is a ‘process [of institutional or policy change] that preserves much of the core while adding amendments through which rules and structures inherited from the past can be brought into synch with changes in the normative, social, and political environments’ (Thelen 2003, 228, see also Mahoney and Thelen 2009, 16). In relation to policy layering, ‘core’ would be the ideational foundation, or paradigm, underpinning the policy while ‘rules’ and
‘structures’ would be the policy instruments applied and their settings. In Hall’s (1993) terminology it would be a second order change in which policy instruments and their settings are altered, but the underpinning policy paradigm remains the same. The new layers added to the policy may set in motion dynamics, which then substantially transform it. As Mahoney and Thelen (2009, 17) suggest: ‘Each new element may be a small change in itself, yet these small changes can accumulate, leading to big changes over the long run’. Streeck and Thelen (2005, 24) even suggest that layering may eventually crowd out the core of the old policy system. While we agree that layering can lead to substantial transformation over time and crowd out the core of the old policy, labelling such a policy trajectory as ‘layering’ would be to stretch the concept too far. A more appropriate term for this would be policy conversion in which policy is ‘redirected to new goals, functions, or purposes’ (Streeck and Thelen 2005, 26), though unintentionally in this situation.

The key question focussed on in this paper is whether, and if so how, policy layering taking place over an extended time can produce policy changes which are durable in the long term and resilient to reversal when circumstances change in favour of those who would like to see policy return to a previous mode. The way in which the new layers affect the configuration of actors around policy is key to understanding the durability of the gradual reforms. New concerns are accommodated by adding one or several new layers of policy instruments to the existing policy or by redesigning existing instruments to address the new concerns, and this may have significant distributional and visibility impacts.

Public policies produce distributional effects by imposing costs on some groups whilst benefitting others. The particular distribution of costs and benefits determine which groups and actors will organise and mobilise in support of, or in opposition to, policy (Wilson 1980). Using the strategy of policy layering, policy designers can change the distribution of costs and benefits by adding new policy instruments or by redesigning existing ones. This may change the way in which some groups perceive their interests in relation to policy and thus change the interest configuration around policy. While this may be important in agenda setting and policy formulation, the effects in relation to maintaining reform in the post-enactment phase are more questionable because interest groups representing those burdened or benefitting from dispersed costs or benefits may find it particularly difficult to mobilise to sustain the reform in the post-enactment phase. In particular two factors explain this. After reform has been adopted the attention of policy makers, the media, and the general public, is likely to shift elsewhere. Furthermore, watchdog groups such as those reflecting consumer and environmental interests may lack incentives and the organisational capacity to monitor policy developments in the post-enactment phase (Patashnik 2003, 211).

The new layers are designed to be visible to those actors whose concerns are addressed. This may mean that other aspects of policy that previously were not visible to a broader group of policy actors may now become discernible. This is most likely to happen when policy instruments are redesigned to address new concerns whilst at the same time pursuing the original objectives. The visibility effects of public policies influence the way in which actors position themselves in relation to policy. Policy actors vary immensely in relation to how much time and attention they can devote to understanding policy. Policy designers can utilise the limitations in actors’ ability to fully understand the functions
of policy to direct focus toward particular aspects of policy (Pierson 1993). As Pierson (1993: 619) points out: ‘The specific design of programs may heighten the visibility of some social and political connections while obscuring others. In a context of great social complexity, policies may generate ‘focusing events’ or cues that help social actors to interpret the world around them. Policy induced cues may influence an individual’s awareness of activity.’ Since policy instruments highlight certain aspects of policy and hide others, they influence the way in which policy is interpreted by actors and thus define their interest in relation to it. It is important to point out that the ‘… visibility … can vary independently of a policy’s actual impact and … this variation may be a product of policy design’ (Pierson, 1993: 622). In other words, the signals sent by the policy instruments may create expectations about certain outcomes amongst some stakeholders. The actual purpose of creating these expectations may be to reshape interests in a particular way.

Dual or multiple policy layering risks creating tensions. Kay (2007) argues that adding new layers may generate internal tensions in the policy as they may sit uneasily within the pre-existing policy design. This can ‘introduce functional instabilities into the overall policy system’ (p. 580). Contradictions and inconsistencies between layers is the source of such tension. Therefore careful policy design can contribute to the durability of the reform in the post-enactment phase by ensuring that the relationship between the new layers is complementary with any one layer corresponding well to each of the others rather than being contradictory or inconsistent. Further, when the new layers contribute to the achievement of the original objectives of the policy, major contradictions and inconsistencies are unlikely to occur.

Policy reformers can add new layers to policy by introducing new policy instruments and by redesigning existing ones. This affects the distributional and visibility effects of policy. Creating such effects can be a strategy to reshape the interest configuration around policy to accommodate (or pacify) certain oppositional interests (sometimes only symbolically), maintain support among the original target groups, or mobilise new actors in support of policy. The way in which the new layers affect the interest configuration influences the durability of the policy reform. To achieve this outcome, policy designers must avoid inconsistencies or contradictions between the new layers as this may spill over into tensions between policy actors. In this paper we test these arguments in our study of the sequence of CAP reforms from 1984 to 2013.

The CAP reform path 1984 – 2008: gradual reform and policy layering
The CAP has evolved substantially since the early 1980s. In 1983, rapidly rising spending on the dairy regime as a result of increasing surplus production helped trigger a severe budget crisis (Avery, 1984). The dairy quota reform of 1984 was part of a broader settlement on the budget. Had nothing been done, a collapse of the CAP threatened (Moyer and Josling, 1990, 70). By the mid-1980s overproduction in the cereals sector had become increasingly problematic; and the surplus was subsidised for sale on world markets creating tensions with the EU’s trade partners. Matters came to a head in 1988 with another ‘reform’ of the CAP introducing a system of agricultural stabilisers and a voluntary, but compensated, set-aside scheme (i.e. land in set-aside could not be used for crops or
grazing). Unfortunately the new mechanisms proved less robust than had been hoped (Manegold, 1989). They did, however, provide the excuse for the new reform initiative that the Commission launched in 1991 (the MacSharry reform).

**Introducing greening and trade concerns into the CAP**

Budgetary pressure was the driving force of the CAP reforms of the 1980s, whilst also encouraging environmental layering. Although many farmers were keen to support the biodiversity and environmental attributes of their farms, collectively they had been reluctant to accept the environmentalists’ critique of agricultural policies and modern farming practices. Potter (1998: 51) suggests that the ‘budgetary catalyst’ was important in facilitating ‘a rapprochement between agri-environmentalists and a farm lobby now increasingly anxious to invent alternative, politically more defensible ways of supporting farmers’ incomes.’ The Commission’s 1985 *Perspectives for the Common Agricultural Policy* for example, acknowledged that intensive farming caused environmental damage and pollution. It went on to argue that, as well as “passive” protection of the environment, there needed to be ‘a policy designed to promote farming practices which conserve the rural environment and protect specific sites’. These were public goods which farmers should be paid to deliver (Commission of the European Communities, 1985: 50-2). EU legislation was amended allowing Member States to introduce incentive schemes to encourage environmental enhancement. In 1990, stating that ‘environmental considerations must be gradually integrated into the common agricultural policy and European agricultural practices’, the Commission proposed ‘the introduction of an aid scheme to encourage substantial reductions in the use of fertilizers’ to help in the ‘reduction in pollution through farming’, but also to reduce production through extensification (Commission of the European Communities, 1990: 11). This eventually became the agri-environmental regulation agreed as one of the Accompanying Measures in the 1992 reform (Lowe & Whitby, 1997: 294-5). The 1990 proposal also sought to amend the voluntary set-aside scheme, introduced in 1988, ‘to make it more compatible with environmental requirements’.

Agriculture was an integral part of the Uruguay Round of trade negotiations that led to the formation of the WTO in 1995 (Daugbjerg and Swinbank, 2009: Chapter 7). The EU’s reluctance to change the CAP produced stalemate in December 1990. This caused significant concern in some EU member states, not least in Germany where the Federation of German Industry (BDI), the Minister of Economics and his liberal party (the Free Democratic Party) put pressure on Chancellor Helmut Kohl to persuade France to agree to CAP reform (Hendriks 1994, 64-71). It was only after the then farm Commissioner, Ray MacSharry succeeded in reforming the CAP in May 1992 that the Uruguay Round could be concluded. The reform embedded an additional layer into the CAP in that international trade concerns, in particular developments in the WTO, were increasingly taken into account in the design of policy instruments. The subsequent reform trajectory from the 1990s to 2008 was one of increasing WTO compatibility, as well as greening.

The MacSharry reform changed the *architecture* of the CAP, but not its specific objective of supporting farm incomes. Nor was a redistribution of policy benefits intended. Part of the costs
were, however, switched from consumers to taxpayers. The main change came in the cereals sector where intervention prices were reduced by a third, whilst farmers were compensated for the implied revenue loss by the introduction of a subsidy paid on each hectare of eligible land on which certain crops were grown, or on the number of livestock kept. For larger farmers, area payments were contingent on 15% of their arable land being set-aside. New policy instruments were in place, but compensation payments were designed to leave farmers’ revenues unchanged (Daugbjerg and Swinbank, 2009: chapter 6).

This partial shift from price support to direct payments increased the visibility of agricultural subsidies. As Kjeldahl (1994) had pointed out: ‘The switch to direct payments is making financial support to farmers more visible. Not only will it be increasingly clear to farmers how much support they each receive, but also the total payments in each Member State can easily be seen’. This caused some concern within the farming community. COPA, the European Association of Farmers’ Unions, feared that with the visibility of direct payments it would difficult to defend and maintain agricultural support, declaring: ‘it is not certain that Community taxpayers will agree to shoulder the financial burden on a permanent and continuous basis’ (COPA 1991, 3). This was a clear indication that direct payments had to be legitimised. The Commission had already recognised this in its Reflections Paper, which had introduced the reform plan, in saying that policy makers needed to recognise that ‘the farmer fulfils, or at least could and should fulfil, two functions viz firstly that of producing and secondly of protecting the environment in the context of rural development’ (Commission of the European Communities, 1991: 10).

The Commission also expressed concerns about the adverse environmental effects of price support through its encouragement of the intensification of production (Commission of the European Communities, 1991: 2). The headline-grabbing changes to the CAP were in themselves expected to bring environmental benefits: with lower support prices the incentive to apply heavy applications of fertilizers and agrochemicals would be reduced, and set-aside might be managed in an environmentally sensitive manner. But in addition the reform introduced three so-called Accompanying Measures, including an agri-environment regulation that placed an obligation on Member States to introduce a suite of measures for the protection of the environment and the maintenance of the countryside. Prior to 1992 environmentalists had criticised the CAP from the outside (Potter, 1998: 43-51). Now they were more explicitly brought in to decision-making circles as the rules on mandatory set-aside and agri-environmental schemes were developed. However, while the CAP reform had increased the influence of environmental interests over farm policy, this outsider influence was offset by the declining influence of another outsider group – consumers – as farm support instruments were redesigned. Consumer groups were active in the pre-1992 CAP. For example the UK’s National Consumer Council (1988) produced a hard-hitting report on the CAP in 1988. The 1992 reform, and subsequent developments, meant that by the late 2000s it could no longer be convincingly argued that the CAP increased food prices across the board, disadvantaging

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3 In practice the direct payments introduced in 1992 ‘proved much more popular than anticipated in the farm community’ (Moyer and Josling 2002: 194) because they increased farmers’ income security and safeguarded against severe income losses caused by bad harvests.
consumers. Consequently, consumer groups have to a considerable extent disengaged themselves from farm policy making, but not from food safety policy (see for example BEUC, 2010).

**Increased intersection of greening and international trade concerns**

In 1995 Franz Fischler became the EU’s Commissioner for Agriculture and Rural Development. In November 1996 a major European Conference on Rural Development was held in Ireland. Although never officially endorsed by the EU’s farm ministers, it is widely believed that the Cork Declaration’s ten-point rural development programme reflected Fischler’s view of how policy for rural areas should develop (Lowe, Buller & Ward, 2002: 2-3).

Despite the Cork Declaration’s focus on rural development, by 1998 the Commission was more preoccupied with defending the concept of *multifunctionality* and advancing the thesis that there was a *European Model of Agriculture*: a stance supported by COPA (Volanen, 2000). In its proposal for the Agenda 2000 reform, for example, the Commission declared ‘The fundamental difference between the European model and that of our major competitors lies in the multifunctional nature of Europe’s agriculture and the part it plays in the economy and the environment, in society and in preserving the landscape, whence the need to maintain farming throughout Europe and to safeguard farmers’ incomes’ (Commission of the European Communities, 1998: 8). This was in line with the EU’s preparations for the WTO Ministerial Meeting scheduled for Seattle in late 1999, at which the EU was keen to defend its existing system of farm support (Daugbjerg & Swinbank, 2009: 158-9).

Agenda 2000 was a wide-ranging package designed to ensure that the EU was ready to accept the accession of a number of states from Central and Eastern Europe. It included a new Financial Framework for the period 2000-06, and a remodelling of the structural funds, as well as a CAP reform. Regarding the CAP’s market price policy a second dose of MacSharry’s formula of price cuts and compensation payments was applied (Cunha and Swinbank, 2011, Chapter 6). Member States were now allowed to introduce *cross-compliance* — making the full entitlement to area payments contingent on compliance with a number of environmental conditions— but very few took up this option (Fischler, 2001).

The main innovation was the creation of the so-called Second Pillar of the CAP, with a new Rural Development regulation. This had three themes: restructuring of European agriculture and improving its competitiveness (embracing schemes covered by the CAP’s old structural policy); agri-environmental support schemes (the Accompanying Measures of the MacSharry reform) and subsidies paid to farmers in the Less Favoured Areas; and a new strategy of developing the rural economy, amounting to a mere 10% of Pillar 2 expenditure (European Commission, 2003: 5). Whilst funding for this third theme was very limited, the signalling effect that the CAP was more than just farm support was considerable.
Fischler had a second stab at CAP reform in 2003, during an important phase of the Doha Round that had begun in 2001 (Cunha & Swinbank, 2009: Chapter 7). The US and the Cairns Group wanted the blue box domestic support category (which sheltered the EU’s direct area and headage payments that the MacSharry and Agenda 2000 reforms had introduced) abolished, and payments under this category included in the amber box reduction commitments (Daugbjerg and Swinbank 2009, 165). Within the EU these direct payments were no longer seen as compensation payments; instead they had become an integral part of CAP income support (Commission of the European Communities, 2002a: 4-6). A key feature of the 2003 reform was a further decoupling of these area and headage payments: the basic idea was that recipients could continue to receive them (under the Single Payment Scheme: SPS) provided they retained control of agricultural land, but there was a further element of decoupling in that farmers no longer had to plant crops or keep animals. The purpose of the reform was to accommodate pressure from international and domestic trade interests, but maintain unchanged the core of the CAP as a farm income support policy. Considerable care was taken to avoid a redistribution of support in the basic scheme (Haniotis 2007, 58). This was emphasised by the Commission which argued that the reform was designed to take ‘into account the need to preserve farming incomes in a less trade distorting way’. This would be ‘a major advantage within the WTO, since the … compatibility of the scheme will help secure these payments in an international context’ (Commission of the European Communities, 2002b: 3, 19).

Member States were however given a lot of discretion in implementing the SPS: rather than full decoupling they could opt to decouple only 75% of the old arable area payment, for example, whilst linking the remaining 25% to a continuation of arable cropping. Moreover, whilst Fischler’s intention had been to simply roll-forward the payment entitlements from the old regime, to reduce farmers’ opposition for his plans, some countries decided to redistribute aid and pay it on a flat-rate basis per hectare of eligible land regardless of a particular farm’s previous entitlement (Swinbank and Daugbjerg, 2006). Regionalisation of payments to all eligible agricultural land not only resulted in a redistribution of support amongst existing recipients, but it also meant that other farmers (e.g. outdoor pig producers) could now benefit from the SPS, further extending the client base and subjecting more land to the greening provisions implicit in cross compliance. Thus, in addition to responding to the WTO agenda, the reform was a further step along the greening path, as SPS payments were subject to cross compliance: requiring farmers to comply with a series of environmental, animal health and welfare and food safety regulations, and keep their land in a good agricultural and environmental condition.

This approach was then extended to the so-called Mediterranean products in 2004 (hops, olive oil, tobacco and cotton), and then to sugar, bananas, processed fruits and vegetables, and wine. The 2008 Health Check did away with set-aside, and many of the partial decoupling options from the 2003 package were removed. Thus by 2012 the bulk of CAP support took the form of decoupled payments. Though the Health Check was not officially legitimised by developments in the WTO, it

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4 The WTO Agreement on Agriculture distinguishes between support that is subject to constraints (amber box), partially decoupled support that is not currently subject to financial limits (blue box), and support measures that have ‘no, or at most minimal, trade-distorting effects or effects on production’ (green box).
created some extra leeway for the EU in the Doha Round negotiations (Daugbjerg and Swinbank 2011).

As direct payments became more decoupled, the more important it became to legitimise them. The Agenda 2000 reform had taken the first step towards linking direct payments to environmental requirements. Cross-compliance allowed Member States to make the full entitlement to area payments contingent on compliance with a number of environmental conditions, although few did. At the same time the creation of the Second Pillar and the introduction of the concepts of multifunctionality and the European Model of Agriculture were associated with an increased environmental rhetoric, again serving to legitimise agricultural support. The 2003 reform resulted in further decoupling of direct payments (the basic scheme simply insisted that farmers kept their agricultural land) increasing the need to legitimise the payments. Compulsory cross-compliance was the obvious solution. As the Council (2003: 2-3) bluntly stated:

The full payment of direct aid should be linked to compliance with rules relating to agricultural land, agricultural production and activity. Those rules should serve to incorporate in the common market organisations basic standards for the environment, food safety, animal health and welfare and good agricultural and environmental condition. If those basic standards are not met, Member States should withdraw direct aid in whole or in part ….

The series of CAP reforms from 1992 to 2008 had gradually switched farm support from price support to decoupled payments. The two layering processes had become increasingly linked. Increased linkage of environmental requirements to farm support produced a visible greening of policy which legitimised decoupled farm support to EU citizens and Member States with preferences for a greener CAP, and at the same time maintained the original objective of supporting farm incomes. The gradual shift from price support to decoupled payments corresponded well with developments in the WTO by transforming the CAP to a less trade distorting policy. This lessened the international critique of the CAP, and pressure from the EU’s other trade interests unwilling to accept that a lack of CAP reform should block a Doha Round Agreement. The greening and WTO layers worked in parallel to produce political reform sustainability, by partially replacing existing policy instruments by new ones maintaining the core of the policy whilst increasingly responding to growing trade and environmental concerns. While the distributional effects continued to benefit farmers, the visibility effects concentrated on sending the message that farm support was provided in return for environmental benefits.

**The 2013 ‘reform’**

On world markets the price of agricultural commodities had spiked in 2007 and 2008, and then in 2009 a collapse in dairy product prices led to a ‘dairy crisis’ in the EU triggering intervention buying of butter and skim milk powder, and the reintroduction of export subsidies (Agra Europe, 2009). For CAP traditionalists these events simply demonstrated the dangers inherent in ‘free’ markets, and reinforced their view that a ‘strong’ CAP was still required. It was against this backdrop that the new Commissioner, Dacian Cioloş, launched a public consultation on the future
of the CAP from which it emerged that ‘the overwhelming majority of views expressed concurred
that the future CAP should remain a strong common policy structured around its two pillars’
(European Commission, 2010a: 2). In the summer of 2008 the Doha Round had come tantalisingly
close to completion, with an agreement on agriculture virtually agreed (Daugbjerg and Swinbank,
2009: 171). International trade negotiations had been a powerful driver of CAP reform from 1992 to
2008; but that pressure had now abated. Even if the Doha Round were to be concluded on the basis
of the 2008 blueprint, it was now the EU’s view that the CAP could fit within any new WTO
constraints without difficulty (Demarty 2009). The new powers of COMAGRI strengthened farm
interests in the early 2010s. Under these circumstances, that strengthened the resolve of those who
wanted to reverse the CAP back to a more traditional mode, including Member States such as
France, Spain, Italy and Poland (all powerful players in agricultural policy making), it is puzzling
why the past CAP reform trajectory appeared to be so politically durable.

The Commission’s first communication on the planned 2013 reform reflected the diminished impact
of WTO concerns on the debate. The WTO was only mentioned twice, although the Commission
also reconfirmed its intention of ‘respecting EU commitments in international trade’ (European
Commission 2010a, 4). The main objectives were to further ‘green’ the CAP by adding new
environmental requirements to the support measures, and to bring about a more equitable
distribution of agricultural support within regions and amongst member states (European
Commission 2010a, 3).

CAP (European Commission, 2011), was to roll forward the CAP budget in nominal terms
(although declining in real terms) with its existing split between Pillar 1 (income support) and Pillar
2. There was to be some redistribution of direct payments: towards regionalised flat-rate regimes
within Member States, and a marginal shift in the budget allocation towards Member States with
relatively low payments. Non-active farmers were to be denied support; there would be a cap on
payments to individual farm businesses; and preferential treatment of small farmers and of young
farmers. The most eye-catching feature of the proposed package however was that 30% of the
budget for direct payments would be tied to a greening component, to ‘ensure that all farms deliver
environmental and climate benefits through the retention of soil carbon and grassland habitats
associated with permanent pasture, the delivery of water and habitat protection by the establishment
of ecological focus areas and improvement of the resilience of soil and ecosystems through crop
diversification’ (European Commission, 2011: 3). Farmers would have to establish Ecological
Focus Areas, diversify their cropping, and maintain permanent grassland. This was the substrate
on which the Council of Agricultural Ministers and the EP (principally COMAGRI) were to feast
before reaching political agreement in June 2013.

The increased greening of direct payments was designed to send a message to the public that the CAP
was there to support the production of public goods, such as environmental protection and the
maintenance of the rural economy and landscapes, and thus to legitimise the continuation of farm
support. In the public consultations launched by the Commission in April 2010 stakeholder
organisations, in particular environmental groups, and the public had expressed strong support for more environmental measures in the CAP (European Commission 2010b). Harnessing this support, rather than bringing about environmental improvement, was most likely the actual purpose of the greening measures proposed. Analysts such as Tangermann (2012: 324) suggested that ‘phoney’ excuses underpinned the reform proposal: “‘greening’ the payments may potentially serve the political purpose of suggesting they have a reasonable justification. Yet on closer inspection, the direct payments cannot really be considered to be justified on the grounds of objectives related to the environment and climate change’. The fact that environmental groups distanced themselves from the greening measures when tabled in October 2011 (Agra Facts, 2011) is yet another indication of this.

Given the overall budget pressures the EU faced, ‘avoiding a sharp reduction in the level of the [CAP] budget was, for many, contingent upon genuine greening measures’, but the Commission failed to explain ‘how these measures might work in practice or what their impact was likely to be environmentally’ (Knops and Swinnen 2014: 84). Once the CAP budget had been agreed for the 2014-20 Financial Framework, many observers believe that the farm lobby then effectively watered-down the already weak proposals, leaving the rhetoric of greening, but little substance (Pe’er et al., 2014). As a result, the status quo was maintained despite the apparent greening trajectory.

Recoupling of direct payments was not initially part of the Commission’s agenda, although existing levels of coupled support for ‘specific sectors and regions’ could continue (European Commission, 2010a: 14). Superficially too the EP’s stance was that ‘decoupling has essentially proved its worth, allowing greater autonomy in decision-making on the part of farmers, ensuring that farmers respond to market signals and placing the vast bulk of the CAP in the WTO green box.’ Nonetheless the next paragraph called on:

… Member States to have the option of allowing part of the direct payments to remain wholly or partially coupled within WTO limits in order to finance measures to mitigate the impact of decoupling in specific areas and sectors that are economically, environmentally and socially sensitive … (European Parliament, 2011).

The stalemate in the Doha Round negotiations meant that the Uruguay Round’s Agreement on Agriculture still applied. This, in essence, would have allowed a reversal of the CAP back to its 1992 version, with partially coupled area and livestock payments, unravelling the decoupling of the 1999, 2003 and 2008 reforms. However, despite the push for recoupling, policy reversal in the 2013 ‘reform’ was very limited.

When the Commission launched its formal proposal it envisaged allowing Member States the option to apply voluntary coupled support payments limited to 5% of their national ceilings (i.e. the funding available to the Member State for direct payments), or to 10% if the pre-existing level of coupled support exceeded 5% (European Commission 2011, 18). In the subsequent debate on the Commission’s proposal there was strong support for more recoupling. The EP’s plenary vote on 13 March 2013 was for a flat-rate allowance of 15% in all Member States, for all products including
tobacco, plus a further three percentage points if supporting the production of protein crops (such as field beans) (Agra Facts, 2013). When the Council adopted its ‘General Approach’ on 19 March it upped the Commission’s proposal by two percentage points (i.e. to 7% and 12%), but did not take-up the EP’s proposed changes on protein crops (Council of the European Union, 2013: 53-4).

In the bargaining that then took place in the trilogue between the Commission, the Council of Ministers and the Parliament, a group of 13 Member States including France, Spain, Italy and Poland intervened, strongly re-advocating Parliament’s proposal to couple up 15% of the direct payments (Embassy of France in Washington, 2013). The compromise settled upon was for 8% and 13%, plus a further two percentage points for ‘Member States which decide to use at least 2% of their national ceilings to support the production of protein crops’ (European Parliament and Council, 2013: 615). These percentages are higher than what was in place pre-2013, or had been proposed by the Commission; but it was far from a backtracking to the 25% allowed in the 2003 reform. To what extent Member States would take up the option to recouple support remained to be seen.

Despite the weakening of WTO constraints, and the further empowering of farm over trade interests, the policy reversal of recoupling farm support was limited. Moreover, greening in the 2013 ‘reform’ turned out to be stronger on rhetoric than substance, although it did introduce new policy instruments with which farmers (many reluctantly) will have to comply. Despite these new instruments, the post-2013 CAP is neither a reversion to an old style CAP, nor a new style environmental policy. Instead, it strongly resembles the pre-2013 CAP, with its dominant focus on farm interests. The gradual reform trajectory that had taken place from the early 1990s to 2008 had proved politically sustainable, as it had avoided producing policy inconsistencies between its new layers, or between them and the old policy.

Conclusions
Gradual policy reform is more attractive to policy makers than radical single-stage reform. It does not involve a frontal assault on well-established policy institutions, or on entrenched interest groups representing the beneficiaries of the existing policy. To achieve successful implementation in the post-enactment phase a gradual reform sequence may be preferable. Gradual reform enables policy change through a layering process in which new concerns are added to the existing policy and strengthened over time. Policy designers can utilise the distributive and visibility effects of introducing new policy instruments or changing existing ones to affect the interest configuration around policy: to maintain support for it and neutralise opposition which, in turn, may produce a durable reform trajectory. As time passes and the initial criticism caused by dissatisfaction with the new policy design and implementation difficulties abates, interest and target groups slowly become familiar with the new policy design and adjust their behaviour and mind-sets to it.

Our analysis of the CAP reform sequence from the mid-1980s until 2013 demonstrates that gradual reform through a dual layering process may be a strategy producing politically sustainable policy
reform. Although this sequence of reforms emerged more by accident than design—that is, there is nothing that suggests policy-makers were implementing from the outset a long-term strategic plan—the international trade and greening concerns that were gradually added to the policy through a twin layering process were consistent with the original objective of supporting farm incomes, but now in much less trade distorting ways. Furthermore the two new layers were consistent with each other, and one even reinforced the other in that greening also served the purpose of legitimising decoupled payments as the new main farm support instrument. In addition to addressing environmental concerns, greening also served the purpose of legitimising the CAP to the public, and even to farmers themselves, for farm support could be seen as compensation to farmers for the costs of complying with environmental policy measures, particularly when compared to the lighter burden perceived to be borne by their international competitors. Therefore when, in the lead up to the 2013 reconfiguration of the CAP, circumstances changed in favour of conservative forces desiring a return to previous policy designs, the reform path proved resilient.

Patashnik (2003) set an important research agenda by asking what happens to policy reform in the post-enactment phase, and under what conditions are reforms durable? So far, few studies have engaged with this agenda. In this paper, we have moved beyond Patashnik’s focus on single-stage reform and explored the durability of gradual reform implemented through a layering process over three decades. However, layering per se is not the prescription for durable policy reform. We have suggested some conditions under which such a reform strategy is politically sustainable in the longer term, but comparative research is needed to further test our arguments and explore other conditions for politically sustainable gradual reform.

References


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