



**AgEcon** SEARCH  
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

*The World's Largest Open Access Agricultural & Applied Economics Digital Library*

**This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.**

**Help ensure our sustainability.**

Give to AgEcon Search

AgEcon Search  
<http://ageconsearch.umn.edu>  
[aesearch@umn.edu](mailto:aesearch@umn.edu)

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

# **EPU, EC POLICY DETERMINATION, AND CAP REFORM**

Heather Field<sup>1</sup>

**Paper presented to the 36th Annual Conference of the Australian Agricultural Economics Society, Australian National University, Canberra, February 11-14, 1991.**

---

<sup>1</sup> This paper is based on the findings of post-graduate work undertaken at the Australian National University, and research undertaken on a private basis in the United Kingdom and France in 1991.

## **EPU, EC POLICY DETERMINATION, AND CAP REFORM**

European Community (EC) moves towards European Political Union (EPU) will have substantial consequences for (EC) policy determination, the reform of the Common Agricultural Policy (CAP), and world trade and economic welfare. Changes in EC and CAP decision making call for an examination of the explanatory and predictive powers of existing models, and the postulation of changes needed to improve their explanatory and predictive nature. Major considerations include changes arising from German unification, and potentially from future EC expansion.

### **EUROPEAN POLITICAL UNION (EPU)**

#### **Recent steps towards EPU**

##### *The Maastricht summit*

Further steps were taken by the EC towards European Political Union (EPU) at the European Council meeting of EC Heads of State in Maastricht on 9-10 December 1991. The summit followed earlier meetings of the Councils of Ministers for Foreign Affairs, Foreign Affairs and Defence (of Western European Union member countries), Finance, the Interior, and Social Affairs, at differing EC locations.

Maastricht will result in changes in EC decision making institutions and processes, and in the range of issues dealt with by these. It will allow national protectionism to be replaced by EC protectionism in further areas. No treaty as such was signed at Maastricht and the fine print of the agreement remains to be confirmed. EPU arrangements represent only one of a number of agreements reached at Maastricht. There was an agreement on moves towards Economic and Monetary Union. Foreign policy co-operation, known as European Political Co-operation (EPC), is to be given a formal but still relatively independent EC basis. The powers of the Western European Union (WEU), a defence pact of all EC members except Ireland, Greece and Denmark, are to be expanded to give the EC a greater defence competency of its own. These agreements result in an EC which now rests on three main pillars, as shown in Figure 1.

The addition of new chapters to those in the original Treaty of Rome gives the EC greater areas of competence, and limits the powers of the individual member states. The EC institutions are to have greater powers in a number of areas, including industry policy and entry visas. On social policy a special arrangement was introduced to allow the United Kingdom (UK) not to be included in moves by the 11 to 'opt-in' to common

Figure 1: The three pillars of the post-Maastricht European Community

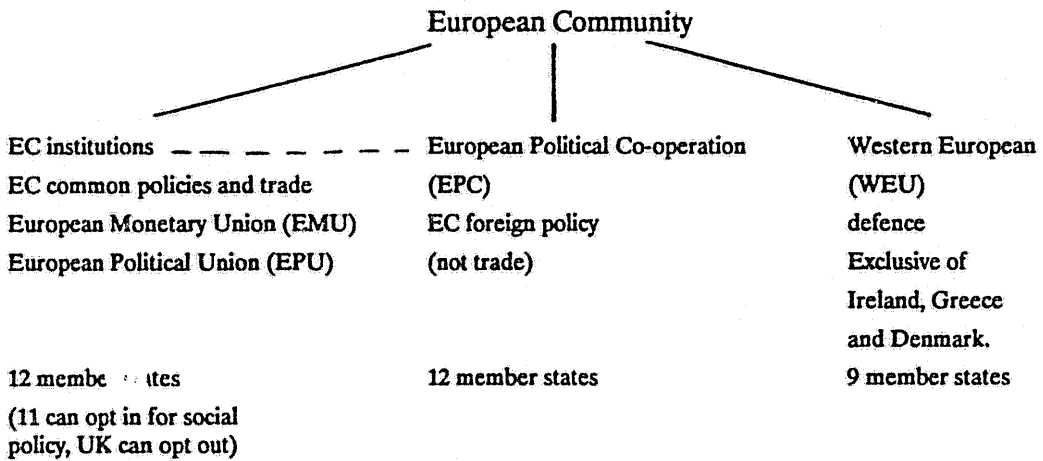


Table 1: Net budgetary transfers as a percentage of national GDP (1988) and in milliard ECU (1989)

ECU1=US\$1.3

	% GDP 1988	'000 million or milliard ECU 1989
Germany	-0.5	-6.5
UK	-0.2	-3.4 <sup>a</sup>
Belgium	-0.6	+1.1
France	-0.1	-2.9
Luxembourg	-1.0	n.s.
Denmark	+0.5	+0.2
Portugal	+1.6	+0.5
Italy	+0.1	-1.4
Ireland	+4.4	+1.3
Netherlands	+0.8	+1.1
Greece	+3.4	+2.0
Spain	+0.6	n.s.
Unattributable <sup>b</sup>		10.4
<b>Total</b>		<b>44.3</b>

a) It is not clear whether this takes into account the UK's rebate on its budgetary contributions. b) This figure represents the costs of collection and disbursement, the EC foreign aid budget, and may include the UK budgetary rebate figure, which reduces the net UK payment. Total contributions and expenditure amounted to ECU 44 329 million in 1989, with agriculture accounting for ECU 24 403 million of expenditure.

Source: Calculated from data of the European Court of Auditors, and OECD, cited in the *The Economist* p. 40, July 28 1990, and Gardner, P., and Bruce, D. (1991), EC seeks the glue to ensure cohesion, *Financial Times*, p. 2, 19 November.

arrangements which extend the EC's coverage of social policy from workers' health and safety to conditions of work, and information and consultation of workers.

The EPU changes also increase the powers of the European Parliament (EP). The EP will henceforth have greater powers to block and amend laws which have been adopted by majority voting in the Council of Ministers.<sup>1</sup> It will be able to ask the Commission to propose laws.

Although a pre-Maastricht agreement had been reached by the Council of Foreign Ministers at Nordwijk to increase the number of German EP seats by 18 to reflect unification (Buchan and van de Krol 1991), EC national governments rejected it. The situation of substantial under-representation of Germany in the EP therefore continues. Each of the large member states has 81 seats, although on the basis of population a unified Germany should have a quarter more. The failure of the European Council to remedy this imbalance undermines the concept of the EP as (Lamassoure 1991, p. 21) 'the only institution with democratic legitimacy on a European scale'.

#### *The background to Maastricht and EPU*

Behind the moves on EPU, EMU, the WEU and EPC has been the combination of German unification<sup>2</sup> and the break-up of the Eastern European Soviet satellite state system. Germany is the largest and wealthiest EC member state, and the main net contributor to the EC budget (refer Table 1). A loss of interest and commitment to the EC by Germany could make EC membership less valuable for some or all of the other member states, and limit the EC's ability to expand as an economic bloc and world power. There have been fears that German interest would become concentrated away from the EC on domestic unification and the growth of trade, investment and other links with Eastern Europe.

The Maastricht arrangements involve a transfer of power from the EC member states to the EC and its institutions, limiting the ability of Germany to make alternative arrangements.

---

<sup>1</sup> Majority voting in the Council means that a proposal can be approved by 76 votes or 71 per cent of the total.

<sup>2</sup> The term unification is used here, in accordance with German preferences. An explanation for this preference is given by Herkless (1991): 'The Federal Republic and the German Democratic Republic were never before united, and it is state unification we are speaking of. If one has romantic notions of the re-unification of blood and soil, one is entering a heady realm - heady and dangerous. With feet back on the ground, it makes no more sense to call what has happened in Germany re-unification than to call 1993 the re-unification of Europe'.

### *Industrial protection*

EC institutions will henceforth be able to propose and organise schemes to encourage the development of small enterprises, industrial innovation and new technology. This could imply shifting national industrial protectionism onto an EC basis.

Major state supported French industrial entities are being consolidated, for example into the semi-conductor, consumer electronics, biotechnology and nuclear Thomson-CEA-Industrie (TCI). The new EC arrangements could allow a substantial flow of funds to such enterprises, perhaps aided through a redirection of EC research and development and social policy funds.

### *Cohesion*

A 'cohesion' fund is to be set up to assist poorer member states. It will contribute to the costs of environmental and transport infrastructure projects in member states with Gross Domestic Product (GDP) less than 90 per cent of the EC average. Its beneficiaries are effectively restricted to Spain, Portugal, Greece and Ireland.

## **THE EC DECISION MAKING SYSTEM**

### **The need for re-evaluation**

The recent major changes discussed below call for a re-evaluation of models of EC and CAP decision making to assess their explanatory and predictive powers.

### *The shift in the German position*

The first major change is the shift in the policy position and objectives of Germany, which is now a proponent of the need for CAP reform and dismantling of agricultural export subsidies adequate enough to allow a Uruguay Round agreement to be reached (Muenster 1991a, p. 84). As a consequence of this change there appears to be a qualified majority in the Council of Ministers in favour of more flexibility towards a Uruguay Round agreement. However, the unanimous agreement of the EC member states is required for major agricultural and trade policy changes.

The change in Germany's attitude is also reflected in its failure to reject the modified 'Macsharry proposals' for CAP reform. These involve significant cuts in agricultural prices, combined with the introduction of an income support scheme for small producers, and set-aside arrangements for large producers. The version of the proposals now under consideration includes a 35 per cent cut in cereal prices, a 15 per cent cut in beef prices, and a cut of 10 per cent in milk and butter prices.

The present German position can be contrasted with that adopted in the 1985-86 agricultural price fixing, when opposition from the Federal Republic of Germany resulted in price cuts of 1.8 per cent for cereals being rejected, in spite of agreement to them by the majority of the Agriculture Ministers and production threshold arrangements which indicated a cut of 5 per cent (Tangermann 1985).

The German Agriculture Minister, Ignaz Kiechle, has continued to express opposition to the MacSharry proposals and the shift to income rather price support. However, the Economics Minister, Jurgen Mollerman, has taken a different position, and it is this latter position which the German government has adopted.

#### *Changes in the EC attitude to CAP reform*

Although the EC earlier offered agricultural support price reductions of 30 per cent in the Uruguay Round, these were of little real significance because of their base year of 1986 and their failure to take into account the 'green currency' system of special EC agricultural exchange rates. The amended MacSharry proposals currently being discussed by the EC would allow a more meaningful Uruguay Round offer. They are not intended to reduce the level of EC agricultural protection, but to shift its emphasis from price support to income support.

Proposals of this nature have not previously been given serious EC consideration because they would make transfers to agricultural producers more transparent, and hence more vulnerable to criticism. The continued discussion of the proposals, and the support for them from a majority of EC member states, is indicative of changes in policy positions and objectives. These changes arise from the new German situation, the introduction of new EC policies and financial transfer arrangements, and a recognition by CAP beneficiary countries that a change in policy instruments may better preserve their long run interests than straightforward opposition to price cuts.

#### *New EC policies*

The new industrial and cohesion policies and financial transfer systems are more tailored to the economic and political needs and objectives of some member states than the CAP is. These member states will henceforth be seeking an expansion of the scope and financing of the new policies rather than of the CAP.

#### **Recent studies and models**

In recent years there have been several attempts to apply the 'new political economy' to EC and CAP decision making. These include the contributions to Carter et al. (1990), a book by Moyer and Josling (1990), and articles by MacLaren (1991a, 1991b), all of which stress the importance of interest groups rather than parties and member state political processes. Duchene, Szczepanik and Legge (1984) and Harvey (1982) on the other hand

covered member state processes rather than interests groups. Petit marries the two approaches to some extent to produce a more convincing model (Petit 1991, 1985).

### *CAP transfers and the policy preference function*

The CAP and the EC budget result in major transfers away from taxpayers and consumers to producers. On the basis of these 'policy preference weights' have been estimated, for example by Mahe and Roe (1990) and others. The assumption behind these is that the preference weights reflect desired transfers to and from specific groups, the latter generally being taken to be producers on the one hand and consumers and taxpayers on the other.

Such assumptions and estimations imply that since the transfers reflect a desired policy outcome, change will be difficult to achieve, and that it is likely to require compensation for those presently obtaining economic rents. MacLaren (1991a, p. 254) suggests that little has changed with the problem of agricultural protectionism, rather that it has become if anything more intractable.

### **The EC and CAP decision making edifice**

CAP and EC budget transfers reflect a highly complex preference function involving not only producers, consumers and taxpayers, but also countries and parties. The CAP was a major part of the Franco-German 'initial compromise' which allowed the EC to be founded (Ahrens 1986). Later it became a means whereby German governments could pay off minority coalition parties and stay in power. With EC enlargement, the CAP has been to some extent a means of transferring funds from wealthier to poorer member states.

Major features of the EC decision making system compared with that of the United States (US) are the existence of supranational institutions, the involvement of twelve member states in decision making, the greater importance of political parties, and the smaller direct influence of interest groups.

### *The supranational level*

At the supranational or EC level of the two-tier decision making system there are three main institutions: the Council of Ministers, the European Parliament and the European Commission. There is no 'EC government' equivalent to that of the US or the individual member states. The Council of Ministers is the most important institution: it is composed of the relevant ministers of the individual member states. The summit meetings of the 'European Council' of heads of government represent the highest level of 'intergovernmental' decision making, but the meetings of the Council of Foreign Ministers represent the highest level of decision making within the EC supranational institutions..



Each member state has a number of votes in the Council. The four largest member states have fewer votes (10, or 13 per cent of the total, each) than would be due to them on the basis of their share of EC population, and the smaller member states more. For example, although Portugal, Denmark, Ireland and Luxembourg have only 3.0, 1.5, 1.0 and 0.1 per cent of EC population respectively, their respective shares of Council votes are 6.6, 4.0, 4.0 and 3.0 per cent. As all the smaller member states except Belgium are net EC budget recipients, the distribution of votes serves to increase support for budgetary and CAP expenditure.

The acceptance of major reforms will in most cases require the agreement of all twelve EC member states, although the Single European Act and EPU have led to greater use of majority voting. No member state will readily accept proposals unless it is sure that it will not lose from them or at least be compensated for any loss, regardless of their benefits for the EC as a whole.

The European Commission makes proposals, and administers existing regimes. Lamassoure (1991, p. 51) describes it as 'arbitrarily appointed and accountable to no-one'. EPU extends the powers of the Commission into new areas.

At the EC level, the Commission is the main objective of lobbying activities, but these mostly relate to administrative details and not broad policy issues. Consistent with Allison's (1971) 'bureaucratic politics' model the Commission has its own agenda and allegiances and these are unlikely to be greatly influenced by lobbyists. As at 1990 the breakdown by nationality of officials in the Commission was 16.4 per cent French, 14.5 per cent German, 13.2 per cent Italian, and only 11.6 per cent British. Muenster (1991b) argues that the Commission has never devised a policy that interferes with French interests, and has not been enthusiastic to make progress in the Uruguay Round's trade negotiations. More of the Commission's functionaries are employed in Directorate-General VI, which deals with agriculture, than in any other Directorate-General.

EPU will increase the powers of the EP slightly. No strong party system has developed as yet in the EP. Macrae (1991) has argued that it will always be a 'protectionist mess' like the American Congress because of the attachment of MEPs to locality rather than party label.

Interest groups do operate at the Community level to some extent, seeking to influence the making of policy and its administration. EC agricultural producers are represented at the Community level by the Committee of Agricultural Organizations, known by its French acronym, COPA. COPA's influence is limited by the wideness of the agricultural interests it represents, and because real power still resides essentially with the Council. Member states' positions on issues are adopted at the national level.

Nevertheless, there is significant lobbying by COPA, consumer organisations, industry groups, companies and others at the EC level, mainly of the Commission, of member states' representatives in the Special Committee on Agriculture (SCA) and the

Permanent Representations of the Member States to the European Communities (COREPER), and members and committees of the EP. It is still a long way from the scale of lobbying activities in Washington. The number of lobbyists established in Brussels is estimated at 2000 - 3000 (Julien 1990).

Other countries and trading partners operate through the same channels as interest groups, but have access to DG I of the Commission, which deals with trade, with there being special access for the African, Caribbean and Pacific (ACP) group of developing countries. Foreign policy issues other than trade are dealt with through the EPC arrangements and not by the Commission.

### *The member state level*

Net budgetary transfers between member states are a major feature of the EC system. In 1990 an estimated 57.4 per cent of the EC budget was taken up by direct price support expenditure (OECD 1991), hence the CAP is a major source of these transfers.

Member states which receive net budgetary transfers may be said to be 'rational actors' in that they have been successful in obtaining national economic benefits. It could be argued that Germany, the UK and France are not rational actors since they are allowing national welfare to be reduced, without obvious compensatory benefits such as Belgium and Luxembourg receive from hosting EC institutions.

The need for the agreement of all member states to increases in the total EC budget have in the past have led to attempts to modify the CAP, for example dairy quotas and the 'Stabilisers' agreement. Further CAP reforms or safeguards on expenditure could well be required to obtain agreement on an increase the EC budgetary base.

**Table 2: Percentage share of agriculture in EC economies in 1988**

<i>Country</i>	<i>GDP % value</i>	<i>Employment % employed population</i>	<i>Imports % value</i>	<i>Exports % value</i>
Belgium	2.0	2.8	9.4	3.8
Denmark	3.7	5.8	10.1	22.7
France	3.3	6.8	10.5	12.1
Germany	1.6	4.0	10.1	3.3
Greece	14.4	26.6	12.4	22.1
Ireland <sup>a</sup>	9.6	15.4	9.6	22.9
Italy	3.6	9.9	12.3 <sup>a</sup>	5.2 <sup>a</sup>
Luxembourg	2.3	3.4	9.4 <sup>b</sup>	3.8 <sup>b</sup>
Netherlands	4.0	4.8	16.4	18.2
Portugal	7.4 <sup>c</sup>	20.7	24.3	8.6
Spain	5.3	14.4	14.2	14.6
United Kingdom	1.2	2.3	8.0	5.8

a) 1987 instead of 1988. b) Belgium and Luxembourg. c) 1986 instead of 1988.

Source: OECD (1991)

**Table 3: Economic and political motivating factors of major member states****Economic factors**

<i>Member State</i>	<i>Agricultural interests</i>	<i>Farm characteristics</i>	<i>Other interests</i>
Germany	Northern products - cereals less important now	Small, part-time	Industrial EC enlargement
France	Northern and Med. products, cereals, dairy, wine and beef	Many small farms, but a major large farm sector	EC support for industry
UK	Lower prices and budget payments	Many large farms, but but small farms in in 'less favoured areas' <sup>a</sup>	Free trade, lower EC budget
Italy	Med. products, income and structural support	Many small farms	Regional, structural and social funding
Spain	Med. products, landless labourers structural support	A major large farm sector, and landless agr. workforce	Cohesion, structural, regional and social funding

a) Less favoured areas are specially designated disadvantaged agricultural areas, in many cases hilly or mountainous.

**Political factors**

<i>Member State</i>	<i>Type of government</i>	<i>Agricultural parties</i>	<i>Change in parties/objectives</i>
Germany	Coalition, of 1 large 2 small parties	CSU and to a lesser extent FDP	CSU's support and even that of FDP no longer essential
France	Not at present a coalition	No - but farm interest vote is 20% and swings	Major parties support CAP but could seek industry gains
UK	No - first past post system ensures not	No. Farm vote supports Conservatives but has little influence.	No, even in event of Labour party government
Italy	Coalition of 4 parties	Small ones	Frequent change, but superficial
Spain	Not at present	No	Only if Socialists lose power

Net budgetary transfers through the CAP arise from budgetary contributions on the one hand, and net CAP expenditure on the other. The latter includes purchases and storage of surplus products, export subsidies, consumption and processing subsidies, and payment. The greater the importance of agriculture in the economy of a member state, then to some extent the more it benefits from the CAP. However, where agriculture is important but its productivity is low, as in Portugal, food must be imported at high CAP prices and with transfers to the EC budget.

### *Political factors*

The major political factors which influence member state approaches to the CAP vary considerably. They include the nature of the domestic electoral system, the importance of coalition parties, the interests represented by coalition parties, and the extent to which there is an important swinging marginal vote associated with farm interests. As indicated in Table 3 and the case studies below, in some member states member state objectives with regard to the CAP and the EC change when different parties come to power, but in others the objectives remain the same regardless of the party in power.

Where agricultural parties must be included in a coalition for the major party to govern, or where the ruling party governs by a narrow majority and the farm vote is of a swinging and uncommitted nature, the importance and influence of the farm vote is increased relative to its size. The farm interest vote can also be increased by the rural connections and sympathies of the urban population. In France, for example, the farm interest vote is equivalent to almost a fifth of the total, yet working farmers represent only 4 per cent of the electorate (The Economist 1991).

### **Individual member state case studies**

#### *Germany*

Germany has a population roughly a quarter larger than that of any other member state, accounts for roughly a quarter of EC GNP and internal and external trade, and is the main net contributor to the EC budget.

Agriculture only accounts for 1.6 per cent of German GDP, and accounts for 4 per cent of employment. This suggests that it would be difficult for Germany to benefit from the CAP, and that in supporting and financing the CAP the German government has not been operating as a 'rational actor'.

The German domestic political model is one of a proportional representation electoral system resulting in a coalition government. There are two majority parties, the Christian Democratic Union (CDU) and the opposition Social Democratic Party (SPD).

A key feature of the system is that farm interest group pressure has been exerted through two minority parties, the Christian Social Union (CSU) and the Free

Democratic Party (FDP). The system has in the past greatly enhanced the political power and influence of the farm vote, since a majority party required the support of at least one of the minority parties in order to form a government. The CAP and the EC budget were used for transfers to minority party supporters and regions, since transfers between the Laende or individual states of Germany are not permitted by the constitution.

The typical CSU supporter is a Roman Catholic Bavarian cereal producer, or someone with one or more of those characteristics, and the party is in ideology to the right of the CDU. The FDP is more representative of Protestant northern farmers and small business, and is more left-wing than the CDU in some respects.

From 1969 to 1982 the SPD formed a government with the help of the FDP. In 1982 the FDP left the coalition and became the third party in a governing CDU/CSU/FDP coalition. In 1987 elections the CDU polled only 34.5 per cent of the vote compared with the 37 per cent of the SPD, and hence required the support of at least the CSU (and the FDP not to be in opposition) to govern. In the post-unification 1990 elections the CDU polled more than SPD and hence could have formed a government on its own. It was no longer essential to form a coalition with the CSU. Further, the CSU is a party of the right which could not contemplate an alliance with the SPD. The FDP's influence increased relative to that of the CSU, but (so long as it did not join an opposing coalition) its support was not required for the CDU to form a government.

This analysis explains the conflict between the views of the Agriculture Minister (Ignaz Kiechle), who is a CSU nominee, and that of the Economics Minister (Jurgen Mollerman), an FDP nominee, and why those of the latter have prevailed. It explains the shift in the German position with regard to the support of cereal prices, CAP reform, and the Uruguay Round. Some of these changes were envisaged in a paper presented last year (Field 1991).

The financial demands of Eastern Germany reinforce the effects of new German political situation for CAP expenditure. Transfers from West to East equivalent to almost half of federal government expenditure are expected to be required for the foreseeable future (Thiess 1991, p. 14).

The inclusion of political parties as actors and the political process has demonstrable explanatory and predictive powers with regard to EC and CAP decision making processes, at least with regard to Germany.

The German government has not only in past years supported CAP transfers from consumers to producers, it has given away several billion ECUs each year to other EC member states in supporting the EC budget and the CAP. It could be argued that this has been done as a 'payoff' to the CSU and FDP respectively, and that this is therefore an example of a government not acting as a rational actor, and of interest groups being able to use the political system to secure rewards.

However, historical and wider economic considerations exist which do not allow such a simple conclusion. In setting up the EC and becoming the main contributor to the EC budget and the CAP Germany was able to re-establish in the post-war world. Membership of the EC has allowed a growth in German industry which might not otherwise have been possible.

Extrapolating into the future, Germany has a strong interest in the admission not just of the EFTA states to the EC, but also that of eastern European countries. This will increase the financial support required from Germany for the EC budget. However, the benefits to Germany in terms of industrial expansion, greater world political influence, and prevention of an immigration 'roaring flood' may be considered worthwhile.

### *United Kingdom*

The share of agriculture in the UK economy is smaller than in any other member state. It accounts for only 1.2 per cent of gross domestic product (GDP) and 2.3 per cent of employment. As a consequence the UK loses from the CAP, and has had to make major net transfers to the EC budget in spite of not being among the wealthier EC member states.

In order to maximise national welfare The UK has sought to restrain CAP and EC expenditure, and to reduce its net EC budgetary commitments with a special rebate arrangement. The special rebate on the UK's contribution to the EC budget was worth some 10.7 thousand million (some US\$17 billion) in the decade to 1990. Other than through the rebate, the UK has had little success in obtaining CAP reforms or other major policy changes to improve its situation. Its influence has been reduced by the disproportionately heavy voting power of the smaller member states in the Council of Ministers, and by its lack of a community of interest with either the relatively wealthy northern or poor southern EC member states. Its poor representation in the EC Commission has also been disadvantageous.

The UK government has sought national economic benefits in spite of the farm sector's traditional support for the Conservative party. The explanation is that the first-past-the-post UK electoral system allows the majority party to rule with its policies uncompromised by the need to take a minority party into coalition, or to heed minority interests. Buchan (1991, p. 70) contrasts the current UK situation of government by a single party with almost 100 parliamentary seats in excess of all others put together with the more customary continental European one of 'shaky coalitions with narrow parliamentary majorities'.

### *Spain*

The Spanish government has sought and obtained the establishment of the 'cohesion fund' as part of the EPU arrangements. The adoption of such a policy objective is a

result of Spain's failure to achieve major net EC budgetary benefits with the CAP and other existing arrangements, and also to the domestic political and social situation.

In Spain the Socialist government has a clear majority, and there are no coalition parties to placate. While agriculture accounted for over 5 per cent of GDP and over 14 per cent of employment in Spain in 1988, some 50 per cent of the land area is occupied by relatively large farms in Spanish terms (over 50 acres), and around a quarter of the agricultural labour force consists of landless labourers.

The level of unemployment of the workforce in Spain is some 16 per cent. The benefits of higher CAP prices and of income supports would be retained by owners of large farms and better off peasants. A 'cohesion funds' is a means of providing benefits in terms of finance, infrastructure and employment which will benefit the Socialist party's support base among the unemployed, industrial and agricultural labourers, and in specific regions.

## CONCLUSIONS

A number of major conclusions arise with regard to the EC and CAP decision making process. The main one is that objectives and positions can change at both the national and EC level when there is political change within a member state. Models of the decision making process should take into account actors and processes at the level of individual member states. Member state governments are most likely to operate to maximise national (but not necessarily EC) welfare when they have clear majorities and no coalition parties or marginal voters to pay off.

EPU will result in the CAP becoming less important in terms of EC policies and as a budgetary transfer system. It will result in increases in the powers of the EP and the scope of the EC's supranational institutions.

Future EC enlargements will alter the Community's political economy and decision making balance. No decision making model developed now is likely to have much predictive power for the 30-nation Greater Europe envisaged for the future.

## References

- Ahrens, H. (1986), Les échanges Intra-communautaires de la France et de la RFA en Produits Agro-Alimentaires: Evolution, Causes, Consequences, *Economie Rurale* 174, July-August, 3-10.
- Allison, G. (1971), *Essence of Decision: Explaining the Cuban Missile Crisis*, Little, Brown and Co., Boston.
- Buchan, D., and van de Krol, R. (1991), Britain still at odds with EC plans, *Financial Times*, p. 26, 14 November.

Buchan, D. (1991), Hanging Tough, *European Affairs* 5(4) 70-71, August-September.

Burger, K., de Groot, M., Post, J. and Zachariasse, V. (eds.) (1991), *Agricultural Economics and Policy: International Challenges for the Nineties*, Elsevier, Amsterdam.

Carter, C., McCalla, A., and Sharples, J. (eds.) (1990), *Imperfect Competition and Political Economy: the New Trade Theory in Agricultural Trade Research*, Westview Press, Boulder, 1990.

Duchene, F., Szczepanik, E., and Legg, W. (1985), *New Limits on European Agriculture: Politics and the Common Agricultural Policy*, Croom Helm, Beckenham, 1985.

Economist, The (1991), *French farmers: the foul smell of success*, p. 58, 5 October.

\_\_\_\_\_ (1990), *Mrs Thatcher's Brussels legacy*, pp. 81-2, 17 November.

Gardner, P., and Bruce, D. (1991), EC seeks the glue to ensure cohesion, *Financial Times*, p. 2, 19 November.

Harvey, D. (1982), National Interests and the CAP, *Food Policy* 174-90, August.

Herkless, J. (1991), No German reunification, letter published in *The Higher*, p. 19, 1 November.

Julien, B (1990), Euro-lobbying invades Berlaymont, *European Affairs* 3/90 28-33, Autumn.

Lamassoure, A. (1991), Three Houses, One 'Home', *European Affairs* 5(5) 19-21, October/November.

Macrae, N. (1991), Sign on the dotted line for an EMU that will never take off, *Sunday Times*, 10 November.

Petit, M., de Benedictis, M., Britton, D., de Groot, M., Henrichsmeyer, W., and Lechi, F. (1987), *Agricultural Policy Formation in the European Community: the Birth of Milk Quotas and CAP Reform*, Elsevier, Amsterdam.

MacLaren, D. (1991a), Agricultural Trade Policy Analysis and International Trade Theory: a Review of Recent Developments, *Journal of Agricultural Economics*, September, 250-297.

\_\_\_\_\_ (1991b), Agriculture in the Uruguay Round: A Perspective from the Political Economy of Protectionism, *Review of Marketing and Agricultural Economics* 59(1), April, 87-91.

Mahe, L., and Roe, T. (1990) *EC-US agricultural trade relations: do political compromises exist?*, 70-94 of Berger et al. (1991), op. cit.

Moyer, H. W., and Josling, T.E. (1990), *Agricultural Policy Reform: Policy and Process in the EC and the USA*, Iowa State University Press, Iowa.

Muenster, W. (1991a), Coming events in Brussels, *European Affairs* 5(6) 83-4, December.



\_\_\_\_\_ (1991b), Coming Events in Brussels, *European Affairs* 5(4) 72-73, August-September.

Organisation for Economic Co-operation and Development (OECD) (1991), *Agricultural Policies, Markets and Trade: monitoring and outlook 1991*, OECD, Paris.

Petit, M. (1991), Agricultural Economics and the Art of Policymaking, pp. 40- 49 of Burger et al. (1991), op. cit.

Tangermann, S. (1985), Special features and ongoing reforms of the CAP, in Curry Foundation (ed.), *Confrontation or Negotitation: United States Policy and European Agriculture*, Associated Faculty Press, New York, pp. 84-115.

Thiess, J. (1991), Digesting Unification, *European Affairs* 5(5), pp. 14-15, September/October.