

Communications & Opinions



“The perfect storm”

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* Comments on the Book “ The perfect storm” at the occasion of its launching ceremony, CEPS

Not only has this book a perfect title, it also is the perfect description of how the perfect storm happened and why it cleared the air beyond expectations.

Franz Fischler was well aware of the long term challenges that Europe and the world was facing at the turn of the century: population explosion, urbanization with losses in crop land, rising living styles, environmental degradation, water shortages, energy shortages, climate change, insufficient research and technological progress regarding agriculture, and perhaps above all looming world food insecurity.

He was aware that agriculture was part of the problem, but also part of the solution, while rural development needed to become more responsive to public calls for more food quality, more food safety, more sustainability and better public services produced by farmers. He did not see the CAP in a purely European, but in a wider world context in line with growing economic globalisation and Europe’s growing responsibility in feeding the world. He suspected that in time of a scramble for food supplies opening food markets may become less urgent than world food security.

The farm lobbies did not share his views. Their main interest was the status quo and the short term. The biggest challenge was to convince them, and if necessary to by-pass them and bring the message to the public. He actually was doing this for Europe’s farmers, in what he believed was their interest, hoping this would eventually give them back at least part of the prestige they had lost in recent years as food became the foremost public good again.

There are seven main reasons behind the success of Fischler’s *perfect storm*:

1. The Mid-Term Review (MTR) was not expected to become a new reform, but a subsequent adjustment of the CAP after the European 1999 Council in Berlin had weakened the reform previously agreed by the Ministers of agriculture. It was Fischler’s early intuition that the MTR offered an unexpected chance to take advantage of a window of opportunity and modernize the CAP before enlargement, the new financial perspectives and the next WTO round. Taking an early initiative within the Agricultural Council, however difficult, was preferable to handing it over later on to players such as the European Council and the Eco-Fin Minister, who would have the upper hand. Moreover, he had failed to convince regional commissioner Wulf-Matthies to allow the creation of a separate rural development fund including the whole of FEOGA orientation, and wanted to finish the job with the help of her successor and friend Michel Barnier.

2. A simple MTR was no option anyway. It would have had no chance to pass the Commission, who wanted a substantial cut in farm support. Audacity, as Joe Swinnen wrote, was the only possible recipe. But Prodi's initial audacity was excessive. The President at first overplayed his hand with the Sapir Report proposing cutting down CAP support to 0.5% of the EU budget. This was an academic exercise lacking political common sense. Prodi personally favoured a 30% cut. But CAP reform was Fischler's responsibility. The risk of failure was substantial. Fischler thought his only chance was to break out of the encirclement with a big bang, but without saying that he was planning a CAP reform. Decoupling was his detonator. Prodi was the first to be informed. It took him less than half an hour to rally behind the Fischler plan and launch the interservice consultation. After the *Hebdo* meeting of Chiefs of Staff in which I presented our plan, one of my numerous colleagues who disapproved of the CAP told me "you bloody bastard, with your proposal to *decouple* farm support from production you are getting away with your reform plan unscathed and keeping all the money!". After that, the Commission's position was a foregone conclusion. Discussion was limited. Only two Commissioners voted against, the only other real friends of the CAP, mostly because they opposed decoupling. Nobody else seemed ready to raise doubts expecting Fischler to convincingly rebut their arguments.
3. Fischler's credibility was the deciding factor, not just in Commission, Parliament and Council, but also in public. According to the press, he was among the greatest communicators of the Prodi Commission. His credibility was the highest of all agricultural commissioners since Mansholt, although agriculture had meanwhile lost its privileged status within national governments as well as with the Commission. He actually played a role beyond his portfolio being part of all key working groups including those dealing with external relations, the structural funds, the new financial perspectives and the constitutional treaty. His trustworthiness was built on the success with *Agenda 2000*, as well as on his skill in extricating himself from the BSE crisis, the most serious food scare in EU history (that was partly the result of Delors' Commission reluctance to accept repeated DG VI requests for substantially more veterinarians). (There were only 14 permanent ones for cross-checking MS implementation of EU animal health legislation.) There was no other way to boost their number than create a more expensive ad-hoc agency.) It is through Fischler's management of the BSE crisis that I understood that the first traits of an outstanding politician are a) to try and identify the traps that may be set in time by his adversaries, taking advantage of events, and b) to have the foresight and capacity to lay the ground to defuse those traps.
4. Regarding consultations, it is not true that there was none. There actually were more than in the past, because the net was spread wider than ever before. As Syrrakos wrote, after tabling the proposal, Fischler devoted much attention to rationalize the public, in particular the farmers. He personally was our number one spokesman. But he also had one of the Commission's best spokesmen Georg Kreutzhuber, and created a green multinational team to spread the reform gospel across the EU15. Public opinion had changed, consumer interests had become more prominent, whereas farmer organisations had weakened and were unable to get their act together and agree on priorities. Most of the unions, notably the FNSEA and the Confagricultura were given hints, but were in denial of the need for reform and the latter took advantage of consultations in order to scupper reform. Their leaders believed that the only way to keep their jobs was to oppose change. Austrian leaders accused Fischler of having gone native in Brussels, although his approach had an Austrian "eco-social" flavour, a phrase invented by him a decade earlier. There were two exceptions though: the ELO

and Paolo Bedoni the leader of the Coldiretti, who told their respective members that decoupling was in their interest, and succeeded in convincing them. They came out as winners. At COPA/COGECA, their vice president Bedoni was booed when he openly spoke his mind. No wonder that COPA/COGECA became irrelevant to the reform process.

5. Timing was the biggest driver of reform, but also its biggest obstacle. The hardest effort was to convince farm ministers to accept a reform before the end of the Agenda 2000 reform period. This was not only because it was felt by all including Fischler that they deserved regulatory stability, but also because the farmers feared that subsequent WTO negotiations would pocket the reform and ask for more forcing them to pay twice. If this fear was overcome, it was only because they took Fischler at his word that he would look to it that the EU would not pay twice. Decoupling strengthened the EU negotiation position compared to the US as the CAP was far less trade-distortive than the US Farm bill. Fischler's trustworthiness was enhanced by his role as chief agricultural negotiator in the WTO (a role only Japan shares), and by the mutual respect and close cooperation with Pascal Lamy, who never circumvented him during the talks in Dubai, Seattle, Cancun and Geneva. The July 2004 WTO agreement allowed Fischler to stick to his promise. The same cannot be said regarding the current Commission. Mandelson has little knowledge about agriculture. Like Lamy's predecessor Sir Leon Brittan, he was ready to sacrifice the PAC on the altar of a Millennium Round opening up the services markets. If the round has failed, it was not because of the EU, thanks also to the Fischler reform. Timing became even more important on the final stretch. The decision of 25-26 June in Luxemburg was speeded up because of fear of the Italian presidency starting a few days later. Unlike under Minister De Castro's leadership during Agenda 2000, Italy's position had been wishy-washy throughout the reform negotiations. Minister Alemanno's positions had proven far from dependable, and Chirac kept trying to re-establish a blocking minority replacing Spain with Italy. The whole reform would have been at risk of unravelling one week later. By contrast the Greeks, despite serious problems with milk, proved good presidential players and their shrewd German-speaking president Simitis, an old Fischler friend, succeeded in avoiding a *retour de flamme* by Chirac at the Thessaloniki Council, by arranging things so as not to let the subject come up.
6. Jo Swinnen is right to have a section on the paradoxical impact of Chirac. Chirac diluted the CAP reform of Agenda 2000 by striking an unannounced blow in the European Council and arrogantly overpowering his colleagues, none of whom had his agricultural background. He succeeded in preserving the CAP budget for the period 2000-2006. But he paid a price for that as he had to accept the decision to hold a MTR mid-way. He feared Fischler's reform drive, invited him regularly to the Quay d'Orsay, breaking the bridges when the decoupling proposal was tabled without forewarning. Chirac tried to force Prodi to avoid reappointing Fischler. When he failed, he became personal and tried to bring Fischler down. He built up a blocking minority with the help of Schroeder. The latter wanted the biggest possible enlargement at all costs, understood little about agriculture and did not care about it because it did not affect his electoral base. Chirac was the actual agricultural negotiator for France in absentia from the Council deliberations, giving instructions to his agriculture Minister Guimard throughout the final phases of the reform negotiation. Fischler knew Chirac would ask for his head, if only an opportunity arose for doing so. Chirac's anger became apparent at the Lisbon summit where P.M. Gutierrez reported that Fischler was holding in parallel a press conference in Brussels announcing sanctions against Portugal for exceeding its milk quota. Gutierrez was

furious. Chirac commented saying “typical Fischler, should have long gone”. But to Prodi’s joking reaction who said “If I understand, you want to send him to the stake in the Grande Place in Brussels” Chirac answered “Well not yet, I still need him”. The reality is that Chirac was a whisker away from killing the Fischler Reform, but was eventually outfoxed by Fischler’s visit to Blair in London. Chirac took his defeat personally and did not want to see Fischler again.

7. Jo Swinnen is right when he comments that not everything proposed was achieved. But let me stress that the agricultural Council accepted some 90% of the Commission proposal, thanks also to the fact that Fischler made virtually no substantial compromises until very late into the last night. It is true that subsequently other Council formations succeeded in weakening the reform as regards payments, by deciding a) that three quarters of the single farm payments for the newcomers would eventually come from the existing Pillar 1 budget), b) that the 1% GDP limit to EU budgetary resources would be calculated in payments instead of commitments, and c) that the deflator applied would be 1% instead of the expected inflation of 2% (a Dutch coup in Council). This made it inevitable to cancel the effects of modulation from pillar 1 to pillar 2 agreed in the agriculture council, and meant a cut in Pillar 1 for the EU15 in order to pay for the EU12. As a result, just as happened with Agenda 2000, the Council (agriculture) agreed a more radical CAP reform than the European Council could accept.

Follow-up.

The Health-Check was requested by those Council members who wanted CAP reform to go further. They may have hoped that the Health-Check could become a reform like was the case for the MTR. If all member states accepted to fully decouple, moved to flat-rate payments, took full advantage of Article 58 using 10% of SFP for targeted support, accepted progressive modulation up to 13%, abandoned set aside and milk quotas, removed all intervention (except for crisis-buying wheat), the Health Check would mean a major policy change. In practice, the changes will be limited.

The next reform will have to respond to questions about the objectives of the CAP in light of the challenges it faces in the first half of this century, and find new justifications for a substantial share of future EU budgets to be devoted to the SFP and rural development. The latter will have to include payments for public goods provided by farmers, notably regarding eco-systems. Once more, the speed of change regarding the food, energy and environment challenges we face will be higher than the speed of adaptation, notably in agriculture, and we won’t do much more than another step in the CAP reform process.

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