

Communications & Opinions



An Inside Perspective on the Political Economy of the Fischler Reform*

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The Fischler Reform of 2003-2004 - which actually is his second CAP reform after Agenda 2000 in 1999 - is a test case of the potential as well as the process of injecting growing sustainability and competitiveness into a policy that was not sustainable and uncompetitive.

In this context, in the early part of our century, the main dilemma facing the European Commission was to respond to two sorts of pressures: domestic, for smaller public budgets and a better environment, and international, for more open markets and the abolition of the CAP. Franz Fischler sought a compromise making Europe's agriculture more competitive on expanding markets, on the one hand, while reducing its trade-distortion effects and promoting greater respect of the highest environmental, quality and animal welfare standards at the same time, on the other. He succeeded beyond public expectations against all odds, and could not possibly have gone further than he did.

As successor of Commissioner McSharry, and long serving agriculture Minister and accession negotiator of Austria, and the reputation of a reformer, the Commissioner was not starting from a *tabula rasa*.

But he was fully aware of massive opposition to reform by the farming world, of the strong survival instinct of national Ministers for agriculture, and of the skepticism in Mediterranean countries as to his understanding of, and/or support for, the Mediterranean products. On the other hand, he was impressed about the quality of the DG VI/DG Agri instrument, compared with the one he had left behind in Vienna, and quickly learned to appreciate and admire it.

Above all, he was convinced about the absolute necessity to reform agriculture before the start of the discussions on the New Financial Perspectives for 2007-2013. The CAP had been steadily losing support within the Commission as well as within society, and agriculture Minister had become a weak link within Member State Governments, whereas Finance Ministers had become the key decision-makers and hated the CAP, which they did not understand.

Speed was of the essence, not just because of the pending financial perspectives, but also because of an external factor, the Doha Development Round, where Europe's most dynamic economic sectors such as services and manufacturing were pushing to open markets regardless of the price in terms of additional access to the EU agricultural market, that would presumably have to be paid by their fellow farmers.

That the CAP had become unpopular and risked budget cuts was related to a number of facts, such as:

- a) farmers have become a tiny minority, and farm organizations had lost dynamism and clout;
- b) the widening of the EU and the proliferation of its policies as against growing EU-budget stringency had increased the competition for funds within both Commission and Council, as well as within the European Parliament;
- c) the image of the farmer, large and small, had become that of a polluter, although this was not due to the CAP directly, but to the industrialization of agriculture, which the CAP had entertained; and
- d) the CAP did no more have the votes to continue the Statu Quo.

We concluded that, if we wanted to preserve the CAP, we needed to change it; if we wanted to succeed changing it substantially, we needed to about guarantee the historical support levels to European farmers avoiding a negative impact on their revenues; and reform leaving the CAP budget unaffected (except for enlargement) had no chance of acceptance within the College unless we adopted a new approach, and took it by surprise.

Fischler knew that our chosen approach involved a big risk of failure in Council, with loss of face for the Commissioner and the Commission. But without innovation and ingenuity, he would face failure in the Commission before that, risk merging the agricultural reform talks with the preparation of the next financial perspectives, and have to start the WTO Round, of which he was the Chief EU agricultural negotiator, without a defensible EU position. The difficulties in Geneva were enhanced by the absence of agricultural Ministers there except for Japan, as trade Ministers had different priorities.

Preservation and change of the CAP required a certain rapprochement of different European interest groups such as farmers, environmentalists, agrifood industry and consumers, transforming traditional antagonism into understanding for the needs of the farmers and the challenges of the countryside.

To that effect it was necessary to try and change the image of European agriculture as a major polluter jeopardizing long-term sustainability, into that of a conservationist emphasizing quality, health and sustainability. To do so was not a problem so far as quality and health were concerned. But it was in regard to sustainability, because Ministers tend to have short-term view, related to the likely duration of their office and therefore aim at minimizing difficulties for their constituencies so as to enhance their staying power and hand over the hottest potatoes to their successors. CAP reform proposals traditionally lead EU farm Ministers to paint catastrophic effects for the relevant farmers, which may not, and mostly do not take place (for example, lastly, a drastic reduction in Italy's hard wheat production, which has not happened)

Sustainability was not a credible objective without introducing a form of *polluter-pays principle*, even if in the more limited form of a loss of public support whenever the farmer fails to respect the so-called *cross-compliance* rules. Public opinion would no longer tolerate that CAP rules were sacrosanct, when environmental rules were respected only in the breach. This was why the reformed CAP specifies that the farmer must respect around twenty EU environmental Directives (Fischler actually proposed some 35), which had been adhered to in the breach.

Apart from cross-compliance, the Fischler reform introduced a few other radical new ideas such as the *decoupling* of CAP support from production with a *Single Farm Payment*, the *capping* of direct aids, *modulation*, and *financial discipline*, stress the function of farm families as suppliers of services to society, all of which appeared helpful to subdue CAP opponents. But the biggest challenge here became that of bringing on board the CAP supporters at the same time. I don't just refer to EU farm organizations and farmers, for whom the proposal represented a sort of *Molotov cocktail*, but also, at least in one respect, to DG AGRI itself, who initially believed *decoupling* to be inappropriate due to its complexity and to skepticism regarding Council acceptance.

While most CAP advocates adopted, as they still do, the politics of denial, CAP opponents seemed at times ready to scrap the CAP, which means throwing out the baby with the baby water. Scrapping the CAP is not an option. European treasuries who may still dream of it should reflect twice before opting for short-term gimmicks. Their simplistic and narrow budgetary view was fought by Fischler's more systemic approach seeking internal compromises among, and corresponding mentality changes by, the various stakeholders.

Fischler sought to find new allies in support for both the conservation and renewal of the countryside by proposing a three-pronged compromise approach to agricultural policy: firstly, simplifying it, and enhancing quality, environmental and animal welfare standards; secondly, making Europe's agriculture more competitive on expanding world markets; and thirdly, reducing its trade-distortion effects and notably, progressively moving the CAP further from market to rural support. This compromise approach was expected to make the policy more acceptable internally as well as internationally, in particular to farmers (through simplification and by reestablishing a certain confidence in their future), rural people and society at large.

However, Fischler advocated a tectonic shift in CAP support over time. The First Pillar needed to be increasingly concentrated on those farmers who needed it most, at least as long as they could not compete without it. As to the most competitive EU farmers, they could expect lower financial support over time, allowing for further modulation of aid towards rural development.

The Fischler reform was aimed at helping the CAP and its farmers reconcile the needs of modernization and restructuring with the acknowledgement of their community function, and the recognition of the positive externalities generated by agriculture, and rural activities and spaces. Aware that all countries in the world had agricultural policies, which they (often wrongly) considered appropriate to their internal and external interest, Fischler acted in the conviction that the EU needed to keep a strong agricultural policy, but periodically update it in order to adapt it to new realities.

The best way to introduce radical ideas is often surprise, notably in order to avoid early leaks, which allow CAP critics to regroup their opposition around new arguments. While Fischler's speeches were used to make some hints about what was going to come, they became clearer only late in the reform process. Speeches and interviews were Fischler's main instrument to prepare public opinion in stages. He was his own best spokesman.

There was surprise about the Fischler proposal within DG AGRI staff, because the most interesting parts of the reform had been discussed within a tightly-run group of five, later six persons, including FF, myself his Chief of staff and Tassos Haniotis, the relevant cabinet member. It worked: there was no leak.

There was a certain surprise also within the Chefs de Cabinet, most of who were expected to intellectually support the proposal. But several of my colleagues told me in private that the proposal was "a trick in order to preserve the whole CAP budget". In reality, it was too innovative for them to reject it, and a budget cut would have made that reform, and probably any alternative reform, impossible.

Finally, there was surprise within the Commission, whose members had been partly informed through their Directorate Generals only since the inter-service consultation, except of course for President Prodi, who was brought on board beforehand.

Unlike in the past - when agricultural Commissioners could steer through the Commission almost any proposal concerning the CAP, even when it involved substantial additional expenditure -, Fischler had only two fully supportive allies left within the College: Vice President Loyola de Palacio from Spain and Commissioner Michel Barnier from France. Although Pascal Lamy could be expected to come on board as well, this was too little to get agreement within the Commission.

It was Fischler personally who decided to eventually include *decoupling* in order to clear the way for Commission agreement. After obtaining the support of President Prodi, the Commission interservice consultation was started, and as it had become customary, the document was immediately leaked to capitals, some of which started reacting in a worrisome way, in particular President Chirac.

Although most Member States' Farm Ministers were opposed to the proposal, they did not have the time to regroup before the Commission supported it with a near unanimous vote, despite the lack of cuts in the CAP budget. Sadly for Fischler, the only Commissioners voting against his reform proposal were the biggest friends of the CAP within the College, Michel Barnier and Loyola de Palacio.

Early 2003, the College was already gearing up for battle on the New Financial Perspectives, its President was known to favour a 30% cut in CAP expenditure, and several Commissioners had put their sight on CAP budget reductions in order to increase budget lines regarding their own portfolios. However, the acceptance of the Fischler proposal by the Commission was facilitated by three factors: firstly, the high personal credibility Fischler enjoyed within the college as an agricultural expert and as a reformer; secondly, the fact that no ground work on future financing had as yet been laid; and thirdly, the agreement of the Brussels European Council of October 2002, engineered by President Chirac with the support of Chancellor

Schröder, to the effect that the budget for Pillar one (agricultural market support) would not be cut before 2013. This disarmed the Commissioner for the Budget Mrs. Schreier.

Things became more difficult in Council, where the Commission had to overcome the stubborn opposition of ten Ministers out of fifteen, who raised problems of substance and/or timing, aware as they were that all of Europe's

agricultural organizations opposed the reform, except the Coldiretti (one of Italy's three) and the European Landowners Organization. Reform actually appeared for a time unachievable after Chirac – the “absentee agriculture negotiator of France” – succeeded in establishing within the Agriculture Council a blocking minority together with Germany, Spain, Portugal and Ireland, and repeatedly tried with ups and downs, but eventually failed to get also Italy on board. If Chirac succeeded in getting Schröder to join his anti-reform coalition despite the pro-reform stance of the German Minister of agriculture Renate Künast, it was not only on account of Franco-German solidarity. The German Chancellor owed it to Chirac to be rescued out of the corner he had got himself into by opposing the Iraq invasion. Schroeder's promise to follow the French on CAP reform, whatever their motives and tactic, was made easier by the fact that German farmers did not vote socialist. The Chirac-Schröder deal prevented German Minister Künast from the Green Party, who supported the Fischler reform, from playing a positive role in the discussions so long as the French refused to participate. The strong, early pro-reform stance of the UK turned out to be counterproductive with other EU farm Ministers, because the UK Government was known to favour scrapping the CAP. The UK actually accepted Fischler's recommendation to dampen its reform advocacy.

Despite repeated efforts, and help from EP Agricultural Committee Chairman Joseph Daul – whose foresight and sense of realism had led him to support the reform – President Chirac refused to even discuss it with Fischler, preferring to build a coalition to defeat him. I guess he was convinced he could still stop the reform train on its tracks. It was as if the matter had become personal for the President, who had reportedly tried to hinder the Commissioner's reappointment for a second mandate, and was believed to still want Fischler out. The Commissioner knew that this could lead to failure of his proposal in Council. But he did not hesitate to play poker, which requires both ability and luck, in an attempt to modernize the CAP and give it a better image, strengthen rural development, provide more stability to farmers and help turn them all into entrepreneurs as against premium hunters. He actually had no other alternative to avoid defeat, because a lukewarm reform would not even have made it through the Commission.

How could victory be snatched from the jaws of defeat? No agreement was possible without breaking the French-led blocking minority. Our target to that effect became the weakest link: Minister Caniete from Spain, who was believed to have joined the French more in order to gain some breathing space than because he was opposed to the whole reform approach. The best way to change the Spanish position was to take advantage of the solidarity that linked the EU leaders that had supported the Iraq invasion despite domestic criticism, Fischler paid a visit to PM Blair in London with a request to ask Spanish PM Aznar to instruct his Minister for Agriculture to withdraw from the minority coalition that had been blocking the reform. Blair agreed, asking the Commissioner to drop the *capping* of direct payments by farm in exchange. As soon as Spain moved in favour of reform, French Minister Gaymard read the tea leaves and started negotiating at the last hour in order to still grab at least some concessions in exchange for his positive vote, and German Minister Künast took advantage of the French change of tactics by taking back her freedom, and giving her full support to a reform she had regarded with favour from the very beginning. Although Italy, which had been hesitating all along as to whether to join the French blockade or not, made a number of unacceptable requests at the last minute (all of which were rejected), the reform eventually obtained unanimous support except for Portugal, who had still wanted a larger milk quota for the Azores. Hence, what until then quite a few thought might have been a wrong bet by the Commissioner, became a success. Former DG Agri Director General Guy Legras acknowledged his surprise about the Council's acceptance of the Fischler reform, which he said he had frankly not anticipated.

The 26th of June 2003, during the last night of negotiations in Luxemburg, the Commissioner refused any suggestion for a further postponement, because he feared the creation of a new blocking minority (for example, with Italy replacing Spain). Even taking into account Spain's change of position, the new reform-supporting majority in Council remained precarious, notably because of likely, unacceptable aspirations for more milk quotas by Portugal, Italy and the Greek Presidency.

This uncertainty had to be tackled with exceptional measures. During the last night “finish”, all experts were asked to leave the negotiating room, while Ministers were asked to stay there without interruption, and it was made clear that no more written compromise papers would be tabled by the Greek Presidency and Commission until an agreement was in sight. This allowed Fischler to submit his personal compromise proposals on all outstanding issues only orally, so that they could not be leaked to Capitals, and to ask for oral ministerial reactions on the spot: “yes, or no and, if no, why not”.

During the whole reform talks, Council reluctance had been addressed by Fischler and a “Green Team” with one spokesman for each Member State drawn from the cabinet and DG Agri informing the relevant stakeholders and public opinion. Fischler and his staff went on the offensive participating in literally hundreds of conferences, and interviews on all sorts of national and regional media, as well as through contacts with NGOs. The aim was to let reluctant ministers realize that society at large demanded a less bureaucratic and more environmentally friendly agricultural policy, and a shift from market distorting support towards rural conservation and renewal.

No reform step is perfect and each requires further adjustments. As Karl Popper said, any solution creates its own problems that call in turn for new solutions and so forth. But, as the French say, “à chaque jour sa peine”. The reform led to a significant number of hardship cases, mostly related to the change towards a single farm payment. It failed to introduce *capping*. It produced less simplification than planned. And it failed to stop WTO Members from attacking the CAP although it has become far less trade distortive than US or even Indian agricultural policy still are. Fact is that the continuing focus on the CAP in Geneva has become an excuse for many members not to move on manufacturing and above all services, whose

importance for the international trade system is strikingly greater than that of agriculture.

But Fischler’s achievement was still remarkable because more than 90% of the original proposal made it into law.

Moreover one could expect the exemptions from total decoupling obtained by France, Italy and others to progressively wither away, further regulatory simplifications later on, a new attempt at *capping* direct payments and the abolition of export restitutions. Fischler’s successor Mariann Fischer Boel has confirmed this in talking about the *health check* to be submitted on the CAP in 2008-2009 in the framework of the planned review of the financial perspectives 2007-2013.

The farm organizations in Europe to-day admit that the Fischler reform saved the CAP for the time being, and recognize that, if Fischler had given in to Chirac’s request to postpone reform to after the WTO Round, this could have meant the end of the CAP as we know it. Not only because the EU would have lacked a solid, credible base in order to actively participate in the Doha Development Round talks, but also because the Brussels agreement of 2002 would not have held up against the pressures of the “one percenters” in connection with the 2007-2013 Financial Perspectives.

CAP reforms are of course part of a process. Commissioner Fischler has orchestrated two of them at short intervals, that of February 1999 and that of 2003-2004 with the intention, among others, of avoiding more serious disruptions of EU farm enterprises in 2007 (new financial perspectives) as well as thereafter (WTO Round), and ensure a certain stability of rules until 2014.

These reasons were tactical. But the design of *The Fischler Reform*, as part of a process, was based on strategic motives. It is primarily these motives that underpin the political economy of his reform. They are rooted in his assessment of Europe’s and the world’s main environmental problems, and related prospects of world demand and supply of food in the first half of this century, and in the absolute requirement to save the countryside as well as Europe’s agricultural capacity for the world’s sake. To these points I now turn.

Environmental Problems

Perhaps the best way to summarize the environmental problems affecting our lives is to turn to Jared Diamond's recent, remarkable and persuasive book *Collapse* (Penguin) on how societies choose to fail or succeed. He proves that this depends on how they solve their environmental problems and identifies 12 serious ones, four of which involve ceilings on natural resources, which have become serious only recently: fossil fuels, photosynthetic ceiling on sunlight supply, toxic chemicals (insecticides, pesticides and herbicides), and gases such as carbon dioxide and methane.

The other eight most serious environmental problems are not new. Four of them consist of destruction of natural resources:

- Habitats, forests wetlands, coral reefs,
- declining fisheries aggravated by the effects of aquaculture,
- Biodiversity losses, and
- Net loss of soils due to water and wind erosion.

The remaining four are fresh water, alien species, growing human population and its impact on the environment.

Diamond stresses that these 12 problems for sustainability have been endemic to humanity, but their frequency has increased with environmental degradation, population pressure, its impact on the environment, rising living standards, and immigration from low-impact countries.

These phenomena are interlinked time bombs with fuses of less than fifty years, and any of them alone could do great harm, but all of them will have to be solved in one way or another within the next generation, either in pleasant ways of our choice, or in unpleasant ways not of our choice, such as poverty, political instability, warfare, genocide, starvation, disease epidemics or collapses of societies. Diamond believes it is doubtful that the First World could retain its separate lifestyle in the face of desperate waves of immigrants fleeing from collapsing Third World countries.

If one reviews the 12 most serious environmental problems, it is easy to note that all of them are directly and often heavily or at least indirectly linked with agricultural and rural development policies. Adopting a fit-all policy across the world would be madness. But the historical record shows that all agricultural policies are in need of reform and action, that measures should be taken that are suitable to each case, and that a realistic assessment should be made about foreign competition. Let me make one example. We often say that the European farmers cannot compete with countries with more space and lower costs of production such as Australia. Let us take this test case from Jared Diamond's already quoted *Collapse*.

He shows us a different, not to say a dismal picture of Australia as a continent about to become an agricultural and environmental basket case. He considers it the most unproductive continent: much of it useless for any form of agriculture and pastoralism, and much of the rest with soils with on average the lowest nutrient levels, the lowest plant growth rates, and the lowest productivity in the First World. Salt content is high and rising due to sea breezes, periodic sea inundations and freshwater lake evaporation. Rainfall is mostly insufficient to raise crops to maturity, and unreliable do so more than half the time, and often far less. Agro-forestry suffers from slow tree growth rates due to poor soils. When its crops don't mature, the soil is exposed to erosion. Its renewable resources are overexploited and declining. Australia is the continent with the least fresh water (80% of which is dedicated to agriculture contributing to 3% of GDP), with proportionately the smallest area covered by forests (20%), and the only continent that has cleared as much as 90% of its original vegetation, and its biodiversity is the worst of all continents due to the importation of alien species (rabbits, foxes, plant weeds, insects and carps) which have caused the extermination of local animals and plants.

With this background, to say that the Australian farmer is privileged over time compared to Europe's is a fallacy. As a result of extra expenses for agricultural production due to disproportionately high fertilizer and fuel costs, Australian farmers selling to local markets often cannot even compete against overseas growers except in specialized *niches*. About 80% of Australia's agricultural profits are derived from less than 0.8% of its agricultural land. Most of Australia's remaining agriculture is in effect a mining operation destroying the land, expensive for the consumer and uneconomic to the individual farmer. If one counts among the farmer's expenses not only its cash expenditures, but also the value of his/her labour, two thirds of

Australia's agricultural land (mostly with sheep and cattle) operates at a net loss to the farmer. If one adds that Australia's productive or settled areas are few and scattered with resulting high transportation costs, that medium-sized towns are disappearing, that small villages have lost basic services, that Australia's existing farming is overall a money-losing proposition, that land is overcapitalized pushing farmers towards overexploitation, overstocking and overgrazing, and also that the population is twice as large as its sustainability level at present living standards, one can understand why Australian land use has gone through many cycles of land clearance, investment, bankruptcy, and abandonment. Some economists think the country should do away with much of its agriculture and could become a net agricultural importer. Diamond's analysis is a hard one, some may charge him of being opinionated and contest some of his figures, and even hold that sustainability is rising there, but the general picture and trend are rather gloomy.

Diamond's conclusion is that, according to the most realistic scenario, Australians are doomed to a declining standard of living in a steadily deteriorating environment. Although Australia would be among the losers of global climate change, he believes the rest of the First World to have the same prospects, with the sole difference that Australia will get there sooner.

Prospects in world demand and supply of food

The second strategic reason that underlies the political economy of the Fischler Reform is the prospect of a policy of food scarcity, as notably illustrated by the Earth Institute.

Food supply is tightening mainly because falling water tables and diversion of irrigated water towards the cities cause water shortages, which translate into food shortages.

Cities and towns in America's Bible belt and California have been buying irrigation water rights from farmers for urban consumption, affecting in some cases one third of the surrounding farmland. They offer farmers for water rights much more than the latter can get from growing crops. According to the Earth Institute, "Countries facing water shortages divert water from irrigation to satisfy the growing demand in cities, and then import grain to offset the loss of farm output. The reason for this is simple: since it takes a thousand tons of water to produce one ton of grain, the most efficient way to import water is as grain....In China a thousand tons of water can be used to produce 1 ton of wheat, worth at most \$200, or it can be used to expand industrial output by \$14,000 – 70 times as much...Agriculture is thus becoming a residual claimant on the world's increasingly scarce supply of water."

But water is not the only key factor of food supply. Other factors conspire to worsen the picture such as: continuing over ploughing and overgrazing, a growing shift towards grain-based meat production in poorer countries, and shrinking harvests with rising temperatures, not to mention the threat that the spread of HIV/AIDS in Africa causes to food security at the loss of able-bodied field-workers.

This is not just a presumption. Grain demand has been expanding beyond supply, notably in China, India (including its Punjab bread-basket), the United States (in particular the southern Great Plains and the South-West), Australia and a number of other countries like Kazakhstan. This trend cannot be compensated by an increase in Brazil's grain land, apart from the consequences such an increase would have for the environment (domestic soil sustainability and rainfall recycling in Brazil, and biodiversity and climate effects worldwide).

Deserts are expanding at the expense of mostly cropland and grassland with an annual loss of 350,000 hectares in Nigeria alone, and a similar annual amount in China where 24,000 villages were abandoned or partly depopulated in the north and west alone. Cropland is also lost to urbanization.

Technology can of course help to do better, but up to a point. Low-till or no-till farming techniques help retain water, raise soil carbon content, reduce energy needed for cultivation, as well as wind and water erosion, but cannot do more than slow the negative trend. New technologies capable to raise land productivity are shrinking and will be of diminishing help as yields of wheat, rice, and corn press against the ceiling ultimately imposed by the limits of photosynthetic efficiency.

The EU Changing Role: Revitalize its Countryside and Help Feed the World

With 3 billion people expected to be added to the world by 2050 (two thirds of whom in Asia and Africa) and 8 countries alone accounting then for 4.7 billion people, most of whom have neither the climate, nor the soil or other conditions necessary to feed themselves in the future, the political economy of Europe's agriculture cannot ignore the negative trends regarding the *global commons*. Nor can the rest of the world ignore the key role that Europe is called to play in the forthcoming period of food scarcity. Future world demand of food requires that EU farmers continue to play their role in feeding the world. Without them world prices would badly impact on the net importing countries.

The new CAP is designed to avoid food surpluses. But to the extent that world overproduction is replaced by food scarcity, we can expect less competition among the producers of staple food for access to food markets, and more likely competition among net-food-importing countries for access to supplies. We will then see import barriers in this connection replaced by export limits, and if Europe or other countries producing bulk farm products experienced periods of excess domestic demand, they will tend to repeat what several other countries have already done in such a situation, particularly recently: impose export limits. After being accused of dumping its food surpluses on world markets, one could well see the EU accused of withholding supplies from hungry people.

The tables may well be turned in the near future, and Europe may be expected to produce more food for export in order to satisfy growing world demand, not only in the tropics. It should be able to do so without production support. Its challenge will be to do it also in a sustainable way, for otherwise Europe could go the way Australia is going, with negative effects on its own food production and exports down the line.

The Fischler proposal has addressed that challenge by reforming both the first and the second Pillar accordingly. Further measures will be required down the line. But it will already be difficult to apply all those which are part of the Fischler Reform. This notably requires resorting to the foreseen sanctions in case of failure to respect cross-compliance provisions, and actually strengthening the second Pillar. The Council has missed to do the latter. Although Europeans are admired, in particular in the US, for their urban zoning leading to a more land-efficient and energy efficient approach, they can and must do much better and notably stem the depopulation and desertification of growing parts of their countryside. This requires money.

If other countries refuse to reform their own agricultural and rural development policies and their urban zonings, this should be no excuse for Europe to stop its own reforms. Its own actions should not depend on parallel actions by others, unless Europe is prepared to risk eventual collapse of its own environment, not to say of its own society and/or world collapse. Some stakeholders may complain about loss of (short-term) competitiveness, but this did not stop the Kyoto process and should therefore not stop the CAP reform process either. EU rural policy as well as agricultural policy proper must from now on be conducted and adapted taking into account the contribution that the EU can make to tackle the world's, and incidentally also Europe's most serious environmental problems in the interest of its own people.

In the light of the general landscape of world agricultural resources outlined earlier, Fischler was convinced that, while the agricultural reform process had to continue in Europe and hopefully take place also in the US and elsewhere including the developing countries, the CAP was and would remain a necessary, permanent feature, not only for the EU, but also for balancing world food supply with demand.

He was therefore worried about any further reduction in public support for such policy unless agricultural prices increased substantially, as one could expect over time, farm aid was capped for the largest farmers, and modulation from the first to the second pillar of the CAP was substantially increased.

He did not reckon that it was too much to devote one per cent of total public expenditures (EU+MS) to farm and rural support, considering that farmers alone represented some 6% of EU population, and predominantly rural regions covered 47% of the EU-15 territory and contained 10% of the EU-15 population. If one added significantly rural regions, more than 80% of the EU-15 area was classified as rural

and about 40 % of the total population lived in rural areas. These percentages were of course higher in the newly enlarged EU.

Conclusions

Fischler's strategic reasons for reform simply reflected his firm conviction that his main reform concepts were not only the most likely to save the CAP, but also the most appropriate in the overall European and world context. He hoped that the reform process would help making people more aware of the linkages existing between agriculture, rural development, commerce, tourism, the food industry, infrastructural costs and overall employment, and tried to emphasize this (with limited effect) in the discussions on the updating of the failing Lisbon Process.

He regretted that the Lisbon debate ignored the possible consequences of weakening, let alone abolishing CAP support such as: the risk of Member States introducing contradictory agricultural policies that may hamper the Single Market; the consequences of land abandonment in terms of nature (which needs caring), and accelerated urbanization (which involves infrastructural, environmental and other costs); the effects of diminishing aid on production intensification and pollution, and the wider implications of reduced farm output. What would for instance be the budgetary costs of catering for the additional urban or sub-urban dwellers, produced by accelerated rural desertification? Would an end of the CAP result, would it not, in contradictory policies by the member States possibly causing the collapse of the internal market? Or would it reduce European farm production to such an extent as to have a major impact on (higher) world prices with serious humanitarian, economic and political consequences in particular for food importing developing countries? And could reduced production of European food end up benefiting mainly the "latifundistas" (large land-owners) of Latin America and elsewhere, who invest their profits on Wall Street? The CAP scrappers did not seem to care for the answers.

Governmental responses to CAP reform decisions enhancing rural development had been negative. The European Council had overturned by means of selected budget cuts the whole reform philosophy regarding the place of rural development within the CAP. This was an unfortunate development, because Council had thereby ignored that overexploitation of natural resources, urbanization and economic globalization together had become the most serious challenge ever to the physical integrity of the countryside, and its way of life. This situation was being made worse by two aggravating factors: firstly, rural actors were increasingly marginalized from the public decision-making process, and secondly, public budgets for rural development were expected to be further reduced after 2013.

These are the reasons why, as far back as 2002, fearing that EU public support was on the way down, and believing that rural depopulation and decline in many areas could not be kept in check, let alone reversed without complementary private initiatives, local motivation and adequate private financing we felt the need to act, although the difficulties of the pending CAP reform led us to postpone.

Having left the Commission together, in 2006 we undertook to create a new financing instrument, the Rural Investment Support for Europe or RISE Foundation. Its President is nobody else than Franz Fischler and its Vice-Presidents Daniel Janssen and Alex Schaub. Members include Michel Barnier and Paolo De Castro. RISE got its Public Utility status by Belgian Royal decree and had its first Board meeting last autumn. It got initial support from the BNP Paribas and is starting a capital campaign this month.

RISE is a unique multidisciplinary instrument for the promotion of rural conservation and renewal, and cooperation between landowners and rural communities. It is a self-supporting philanthropic venture fostering bottom-up private investment in rural areas, mostly in Europe. It is the only Europe-wide independent foundation devoted to rural development.

Let me finally stress that what I just said is my understanding of what Franz Fischler thought, felt and did throughout the reform process. As he has not seen this text yet, I cannot exclude the need for adjustments, but I doubt they would change the general thrust of my presentation. I hope I didn't fail to meet your expectations.

Thank you