Three decades of policy layering and politically sustainable reform in the European Union's Agricultural Policy

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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 layering in which new policy dimensions are introduced 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 endure in the post-enactment phase when circumstances change. We argue that gradual policy layering may create sustainability dynamics that 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 emerging policy concerns by adding new layers. This succession of reforms proved durable and resilient to reversal in the lead-up to the 2013 CAP reform when institutional and political circumstances changed.

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. 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. 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 developments in first the GATT (General Agreement on Tariffs and

Trade) and then in the WTO (World Trade Organization) farm trade negotiations (Daugbjerg & Swinbank 2009).

This paper identifies seven significant policy changes (in 1984, 1988, 1992, 1999, 2003, 2008 and 2013)[1] all of which are referred to as *reforms* in that they altered policy instruments or substantially redesigned existing ones. 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 in 1993-94, all of the Commissioners for Agriculture since 1981 have presided over a policy reform.[2]

The series of GATT/WTO induced 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. 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 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 dumped on world markets. Furthermore, high import taxes restricted trade. Decoupled payments have a minimal impact because they provide little incentive to increase or even maintain production. Another important development is that since the late 1990s direct payments have been increasingly linked to 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 political and institutional circumstances had changed by 2013. For example, stalemate in the WTO's Doha Round of trade negotiations following the failure to secure a breakthrough in 2008, meant that

[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. We acknowledge that there have 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

[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.

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 EP's conservative 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.

In 2007 President Sarkozy of France had told a farming audience that 'everyone knows' that the 'CAP as it stands today cannot meet the challenges of post-2013'. He did not 'like the notion of decoupling'. Farmers 'should be able to make a living from the prices they are paid ... by means of a real EU market stabilization policy'. Indeed Alons and Zwaan (2015: 14) have noted that 'a central argument that surfaced in the French governmental discourse on the CAP post-2013 reform was that agriculture cannot be left to the market and market regulation is indispensible.' Despite a severe financial crisis, and austerity in national budgets, which might have suggested a sharply reduced budget for the CAP, in October 2012 several Member States, and elements within the EP, called for a 'strong' CAP and the maintenance of its budget: see for example the comments of the French, Italian and Spanish farm ministers – all important players in CAP politics (Ministère de l'Agriculture, 2012).

In spite of these significantly changed circumstances, the CAP by and large remained intact in its 2013 reconfiguration, albeit with some, but limited, backtracking 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. 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 and nor have new policy instruments altered its core function of supporting farm incomes. A number of scholars (e.g. Garzon, 2006) have argued that the series of reforms to 2003 had involved a paradigm shift, from state-assisted to multifunctional. Such conclusions are mostly based on analyses of the discourses used by the EU Commission to justify the reforms (see Alons and Zwaan, 2015 and Erjavec and Erjavec, 2009 for recent examples). Applying an alternative approach in which paradigm change is indicated by the change in policy impact, Daugbjerg and Swinbank (2009: 137-8) however concluded that 'the multifunctional paradigm is no more than a newer evolved version of the state-assisted paradigm, or indeed the state-assisted paradigm in disguise. … In both … public intervention is seen as essential to direct agricultural production towards the desired outcomes.'

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 phase. 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.

Layering and Gradual Policy Reform

Patashnik (2003) observes that in the post-enactment phase 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). Patashnik's work on the political sustainability of policy reforms —which he defines as 'the capacity of any public policy *[reform]* to maintain its stability, coherence, and integrity as time passes, achieving its basic promised goals amid the inevitable vicissitudes of politics' (Patashnik 2003, 207)— has been widely cited, but few scholars have engaged with it. Further, Patashnik's work relates only to single-stage reforms. Gradual policy reform processes may well 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. To accommodate concerns raised by such actors, new layers may be added to the policy in an attempt to deflect 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’. As the reason policy makers engage in layering is to preserve the core of policy, paradigm change is unlikely to result unless they lose control over the process. However, Streeck and Thelen (2005, 24) suggest that layering may eventually crowd out 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, or perhaps layered conversion, in which policy is ’redirected to new goals, functions, or purposes’ (Streeck and Thelen 2005, 26), although 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. Patashnik (2003, 211) argues that to prevent reversal, policy change must be accompanied by an institutional reform that politically disadvantages the old client groups either by destroying existing policy institutions and transferring control to an institution that supports the reform, or by giving privileged access to pro-reform coalitions. Furthermore, new policy feedback mechanisms must be established. These should be aimed at splitting the coalition of client groups favoured by the old policy and at supporting the interests of those groups that benefit from the reform. Whilst gradual reform achieved through layering is unlikely to be accompanied by a dismantling of the original policy’s institutions, policy feedback effects can play a crucial role, but in ways different from those envisaged by Patashnik. They must pacify potential emerging opposition to the policy change within (and outside) the target group, and ideally build support for the reform within new constituencies. Thus the way in which the new layers affect the interest configuration around policy is key to understanding the durability of gradual reforms.

Policy reform may have significant distributional and visibility impacts. Policies impose costs on some groups whilst benefitting others. The particular distribution of costs and benefits determine which groups will organise and mobilise in support of, or in opposition to, policy. 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, and thus change the interest configuration around policy.

The visibility effects also influence the way in which actors position themselves in relation to policy. 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 perceptions about certain outcomes amongst some stakeholders and this may shape interests in a particular way.

Layering adds new policy instruments, or redesigns existing ones, to address new concerns whilst pursuing the original objectives. The new layers are designed to be visible —or to provide distributional benefits— to those actors whose concerns are addressed. Aspects of policy that previously were not visible to a broader group of policy actors may now become discernible and hence produce feedback effects which may potentially generate opposition within the target group of the reform or within a broader policy constituency. One way to address this challenge is to combine layering addressing the primary concern with complementary layering aimed at secondary concerns emerging as a side effect of the primary layering process. Successful dual or multiple layering requires that policy designers avoid inconsistencies or contradictions between the new layers as this may spill over into tensions between policy actors which may result in continuing controversies and conflict (see Kay 2007).

Single-stage reforms tend to generate a 'shock' as a result of their high visibility. Firstly, the visibility effects may challenge established understandings of the role of government policy. For instance, the shift from market price support —which hid the real cost of farm support from both consumers and farmers— to taxpayer funded payments to farmers, made the magnitude of farm support very visible. Secondly, single-stage reforms require target group members to adjust to major policy changes that may be associated with substantial distributional effects, over a relatively short time period. Target group members invest physical and human capital to utilise the opportunities to benefit from public policies (Pierson 1993, 598-611). Single-stage reforms change the opportunity structure relatively

swiftly with the result that policy induced physical and human capital investments may be lost or become difficult to retrieve. Moreover, single-stage reforms leave few opportunities for policy makers to address unintended consequences, as the speed with which the changes are undertaken does not allow for a trial-and-error process.

Policy takers' responses to the policy changes are critical in relation to reform durability. The feedback effects of a single stage reform, as discussed above, can generate substantial opposition amongst policy takers. Time may work in favour of dissatisfied policy takers giving them opportunities to reverse the reform. After reform has been adopted the attention of policy makers, the media, and the general public, is likely to shift elsewhere; and watchdog groups (e.g. consumer and environmental groups) may lack incentives and the organisational capacity to monitor policy developments in the post-enactment phase (Patashnik 2003, 211). Gradual policy layering minimises negative feedbacks and thus limits the level of opposition generated within the reform sequence. The longer time perspective allows policy takers to write-down investments in physical and human capital, and to adjust behaviour to benefit from the new resources and incentives brought about by the reformed policy. Furthermore, it allows time for administrative practices to adjust to limit and address unintended consequences.

To substantiate the argument that gradual policy layering can potentially produce policy reform which is politically sustainable in the post-enactment phase, we analyse the sequence of CAP reforms from 1984 to 2013. The analysis consists of three components in which:

- We demonstrate the existence of a dual gradual layering sequence aimed at addressing new policy concerns, whilst retaining the core objective of farm income support.
- Show that the two layers are complementary and consistent when addressing new and old policy concerns.
- Suggest a causal relation between policy layering and reform sustainability. As this cannot be established directly we identify indirect indicators consistent with a causal relationship. These are:
    - Limited policy reversal of the CAP in the 2013 reform despite favourable conditions for backtracking
    - Limited farm group opposition in the post-enactment phase of each reform adopted from 1992 to 2008.

The CAP reform path 1984 – 2008: gradual reform and policy layering

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. 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 budget 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. 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. The EU's reluctance to change the CAP produced stalemate in December 1990. 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 policy concerns were increasingly taken into account. The subsequent reform trajectory from the 1990s to 2008 was one of increasing WTO compatibility, as well as greening.

The MacSharry reform changed the design of the CAP's farm support instruments, 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 in which guaranteed 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.

This partial shift from price support to direct payments increased the visibility of agricultural subsidies. As Kjeldahl (1994) 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'. Indeed COPA (1991: 3), the European Association of Farmers' Unions, feared that the visibility of direct payments would decrease public support for the CAP, declaring: 'it is not certain that Community taxpayers will agree to shoulder the financial burden on a permanent and continuous basis'. 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 had 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: lower prices would provide incentive to apply less fertilizers and agrochemicals, 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 reform had increased the influence of environmental interests, this was offset by the declining influence of another outsider group – consumers – as farm support instruments were redesigned. Consumer groups were active critics of the pre-1992 CAP (see e.g. the UK's National Consumer Council, 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 consumers. Consequently, consumer groups have to a considerable extent disengaged themselves from farm policy making, but not from food *safety* policy.

Increased intersection of greening and international trade concerns

In 1995 Franz Fischler became Commissioner for Agriculture and Rural Development. Although never officially endorsed by the EU's farm ministers, it is widely believed that the Cork Declaration's ten-point rural development programme that emerged from a major conference in 1996 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 that 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. 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). Nevertheless, the Agenda 2000 reform had taken the first step towards linking direct payments to environmental requirements as a way to legitimise agricultural support.

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 competiveness (embracing schemes covered by the CAP's old structural policy); agri-environmental 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. The US and the Australian-led Cairns Group wanted the blue box domestic support category (which sheltered the EU's area and headage payments that the MacSharry reform had introduced) abolished, and payments under this category included in the amber box reduction commitments (Daugbjerg & Swinbank 2009, 165).[3] Within the EU these direct payments were no

[3] 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

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 considerable 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. 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 to keep their land in a good agricultural and environmental condition.

As the 2003 reform had resulted in a further decoupling of direct payments (the basic scheme simply insisted that farmers kept their agricultural land) this had increased 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 ….

'no, or at most minimal, trade-distorting effects or effects on production' (green box).

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 created some extra leeway for the EU in the Doha Round negotiations (Daugbjerg & Swinbank 2011).

Although farm groups frequently lobbied against the *proposed* reforms (see for example Garzon, 2006: 70, 89, 111), farmers quickly adapted to new circumstances, and recognised the inevitability of further reform. There had been a mixed response to the 1992 reform. For instance, Germany's farm union had claimed it was 'disastrous' and in France the farm union, FNSEA, considered it an economic and political error. Belgian and Italian farm unions were also opposed. But British, Danish, Dutch, Irish, Greek and Spanish farm unions were largely content (*Agra Europe* 1992). In practice the direct payments introduced by this reform '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. Farmers in Germany, Portugal and the UK, in a survey undertaken in the autumn and winter of 2001/2002 before the Fischler reform was proposed, were broadly of the view that the Agenda 2000 system of direct payments formed 'a reliable source of income for farmers' and that, if withdrawn, 'many farms would become unprofitable'. Nonetheless, they felt that the 'current arrangements' did not work well and that, due to pressures for change, the system 'will need to be reformed' (Tranter, Costa, Knapp, Little and Sottomayor, 2004: 131). In the 2003 reform process farm group 'opposition to the reform appeared milder than in previous years' (Garzon, 2006: 111). After adoption of the reform, a pattern of reactions similar to 1992 emerged. French and German farm groups remained opposed to the changes while their governments were content that they had achieved a good deal for their farmers. Positive reactions were expressed by the British, Italian and Swedish farm unions (*Agra Focus* 2003a, 2003b).

The series of CAP reforms from 1992 to 2008 had gradually transformed the lion's share of CAP support from price support to decoupled payments. As direct payments became *more* decoupled, the more important it became to legitimise them. Therefore the two layering processes became increasingly linked. Increased linkage of environmental requirements to farm support produced a visible greening of policy which legitimised decoupled payments 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 greening and WTO layers worked in parallel to produce political reform sustainability, by partially replacing existing policy instruments by new ones that maintained income support as the core of the policy whilst increasingly responding to pressing trade and environmental concerns. Farmers accepted these reforms and adapted to them. 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 temporary 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 & 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 the EP's agricultural committee, 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. 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, and to bring about a more equitable distribution of agricultural support within regions and amongst member states (European Commission 2010a, 3).

The Commission's proposal for the post-2013 CAP 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 would 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. The most striking feature 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.

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, and thus to legitimise the continuation of farm support. In the public consultations stakeholder organisations, in particular environmental groups, and the public had expressed strong support for more environmental measures (European Commission 2010b). Harnessing this support, rather than bringing about significant environmental improvements, 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'. This suggests the state-assisted paradigm, rather than a deep-routed endorsement of multifunctionality, continues to characterise the CAP. 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 was then able to water-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. But a senior official in the Commission's agricultural Directorate-General (DG) remained concerned that a failure to demonstrate that greening was working 'would weaken the justification for the hefty €55 billion yearly CAP budget *[and]* lead other Commission DGs to push for cuts' (Agra Facts, 2015).

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 could potentially have allowed a reversal of the CAP back to its 1992 version, with partially coupled area and livestock payments, unravelling the decoupling of the 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* for up to 5% of their direct payments, or to 10% if the pre-existing level of coupled support exceeded 5% (European Commission 2011, 18). In the

subsequent debate there was strong support for more recoupling. The EP voted in March 2013 for 15% in all Member States (*Agra Facts*, 2013). In the bargaining that took place between the Commission, the Council of Ministers and the Parliament, a group of 13 Member States including France, Spain, Italy and Poland intervened, strongly supporting Parliament's proposal (Embassy of France in Washington, 2013). The compromise settled upon was for 8% and 13%, plus a further two percentage points for 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. With significant variations between Member States, initial indications are that 10% of the direct aid budget will be coupled (European Commission, 2015: slide 19).

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.

Conclusions

Gradual policy reform may be more attractive to policy makers than radical single-stage reform, and it may be more durable in the post-enactment phase. Gradual policy reform does not involve a frontal assault on well-established policy institutions, or on entrenched interest groups representing the beneficiaries of the existing policy. 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 and neutralise opposition. This may produce a durable reform trajectory.

Our analysis of the CAP reform sequence from the mid-1980s until 2013 demonstrates that gradual reform through a dual layering process may produce politically sustainable policy reform. This sequence of reforms emerged more by accident than design —there is nothing that suggests policy-makers were implementing from the outset a long-term strategic plan. The international trade and greening concerns were gradually added to the policy through a twin layering process and 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 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 now be seen as compensation for the costs of complying with environmental policy measures, particularly when compared to the lighter burden perceived to be borne by European farmers' international competitors. Though initially opposed to direct payments, farm groups eventually became less critical as they became more familiar with them, and as payments were increasingly portrayed as remuneration for the provision of public goods. When, in the lead up to the 2013 reform, political and institutional circumstances changed in favour of conservative forces desiring a return to previous policy modes, the reform path proved resilient and only limited reversal took place.

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.

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