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## THE EUROPEAN UNION AND THE INTEGRATION OF SUSTAINABLE DEVELOPMENT GOALS INTO COMMUNITY POLICIES: THE COMMON AGRICULTURE POLICY (CAP)

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### Abstract

The Common Agriculture Policy (CAP) has been, for a long time, the main Community policy and, at present, it constitutes one of the main expenditure items (36.7%) of EU budget. In 2015, the United Nations adopted a new global development policy based on 17 sustainable development goals (SDGs) to be achieved by 2030, in accordance with the views of 2030 Agenda. As consequences of this, all Countries have to adapt their activities to the new general framework of 2030 Agenda, that is to integrate the SDGs under the internal policies. European Union and their policies, CAP first, must move in this direction. In the last 25 years, CAP was subjected to numerous reforms. According to these reforms, the nature of CAP has been changed, but, most of the problems of the past, have not been removed. CAP remains problematical, especially as regards the distribution of financial supports, social inclusion, sustainability and food security. All these aspects are of prime importance for the purpose of adapting to the new set 2030 Agenda goals of environmental, social and economic sustainability. A new revision of CAP is currently underway and should be concluded by 2020, so that, it could be implemented from the beginning of the new financial perspective period (2021-2028).

The aim of this paper is to verify if the PAC review process, currently underway, could be able to achieve the new global development targets.

### Keywords

CAP, agriculture, sustainability, European Development Goals, agricultural development models.

### JEL classification

O13, Q10, Q15, Q18

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### Introduction

For donations, EU is the main actor of development cooperation policies in the world (OECD, 2018). For this reason, EU has paid great attention in coordinating its activities, in order to contribute to the implementation of established international development policies. In this framework, it is important to remember the commitment of 20 December 2005. On that day, Presidents of the Commission, Council and European Parliament put signature to a development policy statement: the so-called “European Consensus” (EC), by which it is established how EU operates for the achievement of the eight Millennium Development

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Goals (MDG) by 2015. For the first time, thanks to the EC, the EU framework of common principles for implementing development policies was defined (Bretherton and Vogler, 2005).

In particular, it was expected that, over the development cooperation policy to be supported under the MDG, the primary objective, for both the EU and the Member States (European Parliament, Commission, Council, 2006), was poverty eradication in the area of sustainable development. To this end, all activities supported should have been inspired by the EU principle of the promotion of the common values (European Commission, 2005).

An important point of the EC was, and still is, the principle of complementarity between the EU development cooperation policy and those supported by Member States.

The development cooperation policies are one of the pillars of European foreign policy and, consequently, the maximum consistency and complementary, both between the actions of Member States and EU, need to be ensured.

The need of joint actions between EU and Member States is reinforced, in 2015, by the new international framework. In fact, at that date, the United Nations (UN) have issued the statement “Transforming our world: the 2030 Agenda for Sustainable Development”. The 2030 Agenda for Sustainable Development consists in 17 goals also developed in 169 targets to be achieved in 2030, the ultimate aim of which is to contribute to global development; to promote the human well-being and to safeguard the environment (UN, 2015). One of the most innovative feature of the UN comprehensive development policy is the mandatory 17 Sustainable Development Goals (SDG), both for aid recipient Countries and donor Countries. Consequently, EU needs to adequate its policies to the 2030 Agenda strategy (Hilpold, 2018).

In line with actions done in 2005 for achieving MDGs, in 2016, European Commission has submitted proposals for three communications related to: the new European consensus on development (European Commission, 2016a); renewal of partnership agreement with the African, Caribbean and Pacific States (ACP); EU sustainability strategy.

Although the principles of the previous EC are confirmed, the new EC aims at greater integration between 2030 Agenda goals and the European cooperation policy (Gregersen, Mackie and Torres, 2016), in line with the 2016 EU global strategy of foreign policy and safety (European Union, 2016a) (European Parliament, 2017).

The mainstreaming of 2030 Agenda goals, in EU and Member States development policy objectives, involves both foreign and internal policies; the latter because the same EU, being part of international Community, need to internally ensure the achievement of SDG (European Union, 2016b).

In fact, there is no question that many of the issues on which the 17 SDG will focus, are mainly, but, not only, concerning the Developing Countries (DC). It is certain that many issues, such as extreme poverty and hunger, mainly affect less developed areas. However, it is also true that the issue of increasing inequality involves every Country in the World and leads to a kind of serial impoverishment, which resulted in some cases of extreme poverty and malnutrition. The global relevance of issues related to sustainability, social inclusion, demographic dynamics, health, climate change, food waste and, more generally, correlated with most of the 169 targets constituting 17 SDG, is even more evident.

In this context, in November 2016, European Commission has clearly indicated how it intends to integrate the 17 SDG and the EU policies. In fact, European Commission presented the Communication “Next steps for a sustainable future European Action for sustainability (European Commission, 2016b). In this Communication, the ten key political priorities for EU, as defined by European Council of 26-27 June 2014, have been linked to 2030Agenda targets (General secretariat of European Council, 2014).

In doing so, EU reaffirmed the central role of issues, such as sustainable development, in European political strategies, as it is, also, stated by art. 21 (3) of the Treaty on the

Functioning of the European Union. The issue of sustainability concerns both environmental and socio-economic problems.

In a bid to implement cooperation policies, the Commission would support an integrated pattern of development combining economic growth, social inclusion and environmental responsibility.

It is, thus, evident the will to follow-up the Lisbon 2010 Strategy (European Commission, 2010), that, as it is known, was based on the concepts of smart growth and it has already included all the elements (research and innovation, social and environmental issues) still basic to ensure the follow-up of new targets.

In order to achieve 2030 Agenda targets, agriculture policies play an important role (Sadowski and Baer-Nawrocka, 2018). In a sustainable perspective, the consideration of the rural dimension should be deemed essential, both in Developed and Developing Countries (European Union, 2016).

In fact, agriculture is a sound basis for a development in Developing Countries, but, at the same time, in Developed Countries, it is the main sector able to encourage development models whose bases are territory, sustainable development and social inclusion.

In this respect, it should be noted that, more than other sectors, agriculture is intrinsically linked to the three dimensions (economic, social, environment) defining the concept of sustainable development.

In this regard, emphasis must be placed on the extent to which the agriculture and food sector are with regard to topics such as: use and protection of natural resources (soil, water); food security and malnutrition; food wastes and losses; migration and employment; reducing greenhouse gases and policies to combat climate changes; biodiversity and animal wellbeing; use of chemicals.

### **1. The Common Agriculture Policy (CAP) in the perspective of Sustainable Development**

The Common Agriculture Policy (CAP), the establishment of which was specifically planned in the Treaty of Rome in 1957, had, from the beginning, protectionist purposes. Most of the EU expenditure was earmarked for budgetary support to agriculture. Consequently, budget for other policies decreased significantly.

The distorting effect of such a policy was identified at an early stage and a debate on the proposal of an amendment of CAP was launched from its early stages of implementation. Both, the blockading attitude of Governments and Member States and the economic crisis resulting from the oil shock in 1973, stopped the reform of the CAP, that restarted at the beginning of the decade after. At first, the corrective actions of the CAP were administrative measures, the aim of which, were to limit production surplus and related costs (Vieri, 1994). In the second half of the 1980s, the scenario, radically, changed. A new trade negotiation was launched with the inclusion of agriculture, at the time, among the sectors subject to GATT (Coleman and Tangermann, 1999).

Internally, at the same time, the international change created the background for both the reopening of the process of European integration and the lighting of new policies, other than the CAP, respect of which a reshaping was planned (Patterson, 1997).

The inclusion of agriculture in the areas under multilateral trade rules and the reopening of the process of European integration obliged to review CAP (Swinbank and Tanner, 1996).

This decision on this matter was taken following two decisive moments: internally, the adoption of the Treaty of Maastricht, posing the foundation for the future monetary union; on the external front, the Marrakech Agreement of 1994, which linked maintaining agricultural aid with respect for the rules of international trade. Consequently, the reform of the agricultural policies provided support that it does not have any effect on production and trade (Vieri, 2001).

Following this, since 1992, EU has embarked on a gradual process of CAP reform, that, in its basic contents, ended in 2005. At that date, the current CAP (Swinbank, 1993), based on two pillars (income support for farmers and rural development policy measures) was defined.

Although the two-pillar approach is long-standing (since 1999, to be exact, following the amendments introduced by Agenda 2000), CAP has been subjected, over the years, to continuous modifications; the most recent amendments were introduced in 2013 and 2017. At present, a new review process, which will define the system for the 2021-2028 programming period, is underway.

It follows that, the new CAP will need to be integrated in the broader integration progress of the 2030 Agenda goals (Matthews, 2017).

The current CAP revision process, as it is normal, has been preceded by an online public consultation on “Modernizing and Simplifying CAP”, which took place between 2 February and 2 May 2017, the result of which were presented in July 2017 (European Commission, 2017a). According to the result, the new CAP, on an equal footing with other EU policies, must maximize the European contribution to 2030 Agenda goals (Elena, 2017).

In the Commission Communication of 11 November 2017 “The Future of Food and Farming” (European Commission, 2017b), the role CAP can play in order to achieve 2030 Agenda goals is highlighted. Independently from this optimistic consideration, it is reasonable to assume that, measures in the second pillar, i.e. rural development policy, will, therefore, make the greatest contribution to meeting the objectives of Agenda 2030.

In this regard, we must bear in mind that SDGs are complex goals, related to economic policies as well as to social, environmental and territorial ones. It follows that, it is difficult to assume that actions under the 1<sup>st</sup> pillar, that consists, mainly, in support for farmers’ income, resulting, indeed, in inequities in the distribution, can be used to achieve the SDGs. For the purpose of developing the new CAP for the period 2021-2028, a deep reconsideration of its current aims and measures, in order to adapt them to the 2030 Agenda strategic framework, is needed.

Notwithstanding the need of obligation to respect SDGs, the reform of the CAP should set out measures coherent with these goals within the EU, rather than linking the support granted to farmers with objectives for the poorest areas of the World, first of all, objective 1 (no poverty) and objective 2 (zero hunger).

## **2. Current status and future prospects of the ongoing CAP review process**

At EU level, the first question that arises is which role European agriculture can play concerning the social and economic development in the EU and in the Member States.

Agriculture is characterized by a peculiar paradox. To see why, it suffices to recall that, in the EU-28 average, agriculture, alone, accounts for 1.5% on GDP and 4.3% on employment and, at the same time: it is the fulcrum of the agri-food system that, in economic term, is worth ten times more and employs 44 million of people; it is the productive activity that, more than others, shapes the characteristics of the European territory. It is, in fact, classified as rural for more than 90%, and 86% of the territory is occupied by the agricultural land of the holding (48%) and forest; it acts as a territorial presidium, actively contributing to the care of the soil, water management and biodiversity conservation; it shares many of the environmental protected areas (18.1% of the EU-28 territory); it ensures the food security of 500 million European citizens, 55% of whom lives in rural areas.

These data show both the importance of agriculture in the European socio-economic context and the reasons justifying agricultural policies.

As above-mentioned, the current agricultural policies have as their objective the transfer of income subsidies or the financing of planned measures that, in both cases, are fueled via tax policies. For these reasons, public expenditure on aid to agriculture need to be justified to

European taxpayers. The social and environmental role played by agriculture for the benefit of the general public is, surely, sufficient for this purpose. This was obvious in the light of the public consultation which took place in the first half of 2017 (European Commission, 2017a). During the consultation, the need to provide direct income support was recognized both by farmers (79%) and by the majority of speakers (53%).

Moreover, a very large majority has recognized the need to improve the position of farmers in the agri-food chain (96%) and to support investments aimed at favoring agricultural business modernization and innovation. Feedback from the consultation showed that, 92% of consultee, shall attach specific aid to agriculture to the implementation of a CAP able to determine environmental benefits higher than that achieved up to now (Baur and Schläpfer, 2018).

The expectations of European citizens towards sustainable agricultural development are compatible with the need to coordinate the objective of the CAP and the instruments to achieve them with 2030 Agenda strategy. This coordination is not as obvious as it could appear at a first glance, and it is far from easy to do. In fact, despite the repeated reforms over the years, the CAP still retains much of its complexities.

In order to transform the CAP into a policy, aimed at sustaining models of agricultural development directed to environmental, social and economic sustainability, action must be taken on specific points, such as: the distribution of financial support; youth employment; social inclusion; the rethink of agri-food measures; food security.

Payments made under the 1<sup>st</sup> pillar, representing approximately 75% of the Commission's commitments to farming sector, form the community support to the sector. These supports should be granted per hectares. The original approach, linking the support to the possession of a productive factor (Mc Sherry Reform, 1992), has encouraged the spread of revenue phenomena (Vieri, 2001).

Despite of the many changes made to the text over the years, among which, the most recent and most significant have included the figure of "active farmers" as the only entity eligible for aid, the EU aid distribution problem, (20% of farmers who receive approximately 80% of all aid) remains unsolved. This reflects the structural situation of EU agriculture, which is characterized by a dual approach: 50.4% of firms have an area of less of 5 hectares (4.8% of agriculture land in Europe) and receive 5.9% of funding; 1.2% of firms have more than 250 hectares (27.7% of the total) and consume over than 22.1% of funding.

In addition, apart from Estonia and Czech Republic, the present income aid provided for CAP don't achieve the average level of remuneration of work recorded for the rest of economy. It follows that, the chance to make CAP supportive of a sustainable economic development model is strictly linked to overcoming the current problems of distribution of aid.

Youth employment and, more generally, new farmers within the sector, is another important problem to deal with. Generally, European farmers are of advanced age: 31% of farmers are over 65 years of age; 28% is aged between 45 and 64 years; 15% is aged between 35 and 44 years; 6% is under the age of 35. Lots of variables influence this situation, i.e.: the difficulties to access to the sector because of the substantial initial investment needed; the infrastructural shortcomings, characterizing many rural areas, which drive young people to seek better economic condition searching for side jobs, different from agriculture.

In this case, it is clear that instruments and objectives of the CAP need to be reviewed: directly, by rethinking aid schemes for employment in agriculture; indirectly, by the introduction of land-based actions coordinated with other EU financial measures.

It is evident that these issues will need to be addressed and supported in the second pillar and it should be involved with the most general topic of social inclusion, i.e. the problem of migration and the role of agriculture as opportunity to influence immigrant integration

(Calabrò and Vieri, 2014). Due to highlighted limitations, CAP agri-food measures need to be reviewed too.

Many of the existing aid schemes are old thinking; their approach gave preference more to the general distribution of aid than to the granting of aid subjected to the achievement of specific objectives.

In particular, we refer both, to the agri-food actions, contained in the measures in support of the Mac Sharry Reform in 1992, and to compensations for disadvantages areas that, actually, are the direct transposition of the measures introduced by the Directive 268/75 (Vieri, 2012). The largest innovative effort will have to be done in this field, the aim of which is to move from the schemes aimed at ensuring a wider aid distribution, to some more targeted policies in relation to the objectives, as well as more differentiated according to the different territorial need. Finally, we need to consider the issues related to food security, which, partly, are associated with the environmental problems.

Despite of the great attention paid by the Community Institutions for issues, such as: tradition protection, organic production process and food labelling; the question of food safety and security is still rich in grey areas.

The EU agricultural production models are still focused on industrial models, mainly based on monoculture and intensive farming. This still poses problems with respect to the use of chemicals in agriculture and the use of antibiotics and medicines in livestock farming. The problem of traceability of animal feeding, in particular, the use of GMO feed, is still unsolved. In fact, European citizens are against the use of GMO products but we know that everything we feed to animals is itself in the food chain because of the “invisible consumption”, and, therefore, GMO products. In addition, food waste is another problem that, although it is more related to downstream sectors than agriculture, it also concerns the functioning of the agricultural system. This problem has not yet been discussed in a concrete way (Vieri and Calabrò, 2015).

Moreover, all the necessary actions to make the CAP more compatible with a sustainable development need to go hand in hand with less bureaucracy; in fact, despite of the simplifications made in recent years, CAP is still difficult to implement.

At present, the review of the CAP has got into an intermediate stage. Following the conclusion of public consultation and the presentation of the results (February and July 2017), European Commission has presented a Communication entitled “The future of food and farming”. It represents the basis for further consultation, with the European Institutions and the Governments of Member States, on revising CAP.

The new proposals are expected to be submitted by 2018. The legislative process is expected to be completed by 2020 and the new CAP should be launched at the same time with the beginning of the financial planning 2021-2028. There is still ground to develop and introduce a CAP able to integrate 2030 Agenda goals and to promote a European model of agriculture based on economic, social and environmental sustainability.

At present, it seems reckless to make predictions on whether such evolution is achieved. The risk not to get past a simple statement of intent, is high.

The possibility to make a significant CAP reform seems particularly difficult. In fact, the reform would mean taking into consideration a development model in complete opposition to the one who has lead to the development of EU agriculture up to now.

The current agro-industrial model is based on the specialization of agricultural activities; sometimes they don't comply with natural cycles (soil and water) and crop production and animal husbandry in the right way in order to achieve sustainable development. In fact, the forms of agriculture on which our food systems are based, are, mainly, made up monoculture and intensive farming; i.e. on production processes which do not take into account of obstacles of limited natural resources.

This model of production is both the result of the placing agriculture under strongest sectors in contractual terms, and the indiscriminate aid to productions, granted for over 30 years by the CAP. Even if there are still some critical issues, the current CAP is, undoubtedly, too dissimilar to the one that supported and promoted models of agro-industrial development. These critical issues can be overcome only if we move from an agro-industrial logical, producing concentration of wealth and spread of poverty, to a territorial one, that favours the generation of widespread well-being through the exploitation of local resources. This is also difficult in institutional terms, because it would involve a further diversification of CAP instruments, and, therefore, a greater involvement of Member States in its implementation. Taking the territory as main reference would allow CAP: to increase the integration between agriculture and socio-economic components of the territory, thus favouring economic and social inclusion and supporting the multifunctional role of agriculture. This would, also, increase the adaptation potential of local systems to socio-economic changes; to favour the link between the food product and the geographical area, thus stimulating farmers to adopt productive processes more coherent with consumer's expectations, for the benefit of both environmental sustainability and food safety; to better finalise support instruments, by favouring a fairer distribution of Community aid, with a consequent improvement in farmer's income and more investments.

### Conclusions

The current model of economic development needs to be re-evaluated in the light of the new UN sustainable development goals.

The concept of sustainability, in economic, social and environmental terms, is the new reference for global development. Every State has a duty to integrate the new sustainable development goals in its policy and this requires an effort that, at least in theory, goes beyond the simple legal adaptation. This also applies to all Countries and all policies, including the EU and its agricultural policy. The CAP reform is, at present, underway and must be concluded by 2020.

Despite several reforms, CAP still have a number of weakness, in part inherited from the past, but, in any case, the expression of a model which is far from the direction being sought today. Since the end of World War II, the development of European agriculture based itself on the agro-industrial model. The agro-industrial model has been fairly supported, for many decades, by the CAP; for this reason, it won't be easy to rethink CAP with a view to economic, social and environmental sustainability. To this end, it would, in fact, be necessary to move from an agro-industrial model, producing concentration of wealth and spread of poverty, to a territorial one, that favours the generation of widespread well-being through the exploitation of local resources. This will be the most significant innovation for the CAP since its establishment.

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