



# The CAP post-2013: more equitable, green and market-oriented?

Based on the seminar held by Egmont on the 25th of November

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Following a seminar on the CAP post-2013 held by Egmont - with the cooperation of the Polish Presidency - on the 25<sup>th</sup> of November 2011, Egmont commissioned the present policy brief. Three major policy issues were addressed at this occasion, namely; how to make the CAP more equitable, green and market-oriented? The trade-off between these policy issues will require policy choices that are worthy of analysis.

## Introduction

Due to its long history, the Common Agricultural Policy (CAP) has been reformed on several occasions, especially since 1992. Today, the CAP has turned into a multi-functional policy, supporting market oriented agricultural production, while also contributing to the preservation of rural areas, and the

protection of the environment for a sustainable production in the EU.

Over the years, the weight given to the different goals has shifted, and sustainability has become a central objective of the EU. Accordingly, the instruments have changed. The policy has moved away from supporting market prices to supporting producer's income and rural development while imposing rules for the protection of the environment.

In October 2011, the European Commission presented its proposals to reform the CAP for the period 2014-2020. These proposals are in line with the previous reforms that have taken place since 1992. However, they have already triggered criticism from EU politicians and stakeholders, predicting a heated debate to come.

Broadly speaking, there are three policy issues that have been and will continue to be relevant when discussing the Commission's Proposals. These are: How to make the CAP more equitable, while maintaining its effectiveness?

How to make the CAP greener, while remaining simple and competitive? And, how to make the CAP more market-oriented, while dealing with an increasing volatility in the markets? These three major policy issues have been addressed throughout three sessions of a seminar organised by Egmont - with the cooperation of the Polish presidency - on the 25<sup>th</sup> of November 2011. Following the interesting and genuine discussions held under the Chatham House Rules on this occasion, Egmont has commissioned the present policy brief.

## An equitable CAP<sup>1</sup>

### *Background*

During the last decade and a half, the CAP's share in the EU budget has decreased from 70% in the 80s to 40% today. However, as the policy remains by far the first beneficiary of EU funds, the net financial balances among countries are a permanent source of tensions. The promotion of national interests rather than the European public interest undermines the EU negotiations.

Currently, the system is clearly not equitable. Most often, rich countries/regions and large farms get higher payments. About 80% of support goes to 20% of farmers, who most of the time do not need it as they are the biggest and wealthiest landowners.

Only the historical developments and the political economy of the CAP can explain this situation. Since 1992, the CAP has progressively moved from a market support to

a direct income support by decoupling it (making it independent of production). The generalisation of the principle of decoupling was embodied in the Single Payment Scheme (SPS), which - as its name indicates - distributes the same payment to farmers whatever the production or the sales price. This subsidy is implemented via several models; the 'historic' model based on the amounts received between 2000 and 2002, the 'regional' model based on a payment per hectare in the same region, or a 'hybrid' combination of the two. In the new Member States, a simplified scheme called the single area payment system (SAPS) is applied. The most common approach in the EU-15 is the one based on historical references, which has led to important disparities in the distribution of funds between Member States, farmers, regions and types of production.

Direct payments have therefore lost most of their original legitimacy. As we have to go towards a more equitable policy, we can wonder what are the arguments for convergence towards more uniform payments and what lies behind the notion of equity.

The arguments for convergence are fair competition across the single market and sustainability through a reward for public goods procurement in rural areas. In both cases opportunity costs and relative costs should be taken into account so as to acknowledge the different circumstances. Behind the notion of equity lies the notion of fairness and behind fairness, the notion of justice. For centuries, philosophers tried to define the notion of justice but they could not agree on much more than justice is treating people equally when the circumstances are identical. Agricultural producers face very heterogeneous cost situations across the EU due to the very different economic and natural

<sup>1</sup> This section is mostly inspired by the presentations of Andrzej BABUCHOWSKI (Minister Counsellor, Agriculture and Fisheries, Permanent Representation of Poland) and Louis-Pascal MAHÉ (Professor Emeritus, Agrocampus Rennes) given at the Egmont's CAP seminar on the 25<sup>th</sup> of November.

conditions. Therefore, equal distribution of payments does not necessarily mean the same as an equitable distribution. If the main objective of pillar 1 payments is really income support, then reducing income inequality should be about giving more to relatively poorer farmers. The future CAP should take greater account of the wealth and diversity of agriculture in the EU through a fair distribution of funds at all levels.

### *More equity among Member States?*

In terms of convergence across Member States, the Commission has examined objective criteria to determine the financial allocation between Member States. A selection will have to be made among these objective criteria, including, among others, GDP per capita, the amount of Agricultural Work Units (AWU) or gross value added in agriculture/AWU or other environmental criteria. While some countries favour the GDP per capita criterion, some others like Poland prefer the amount of AWU criterion, which benefits big landowners.

The Commission has realised that any of the criteria would lead to a very substantial redistribution of the direct payments budget across Member States, undermining the balance in overall EU budget allocation between Member States. Therefore, despite the request of some Eastern Countries for a full alignment of direct payments across the EU, the convergence process will take longer. The Commission has envisaged that all countries with direct payments below 90% of the EU-27 average will, over the period 2014-2020, close one-third of the gap between their current level and 90% of the EU average direct payments. For the Member States that currently receive more than the EU average, the contribution for balancing the level of payments across the EU-27 is proposed to be between around 1 and 7%. According to

several participants to the seminar, this proposition can be seen as an attempt to widen the path dependency of Member States on the CAP. On the one hand, by taking not enough among Member States receiving more than the EU average direct payments, the path dependency of these countries will remain. On the other hand, by giving just enough to Member States who are unhappy with their financial allocation, new paths dependency will be created, leading to an even broader political impulse behind the policy.

The proposals have also introduced an element of co-financing between the EU and Member States to reduce the differences of payments among Member States. The Member States that receive less than 90% of the EU average for direct payments would be allowed to transfer up to 5% of their rural development funds under Pillar 2 to Pillar 1, which provides direct income payments. Meanwhile, all Member States could channel up to 10% of their national envelope under pillar 1 to their rural development funds under pillar 2.

A generalization of co-financing in both the CAP's first and second pillars has been proposed by a participant in order to reduce the obsession of Member States with the net financial return of their contribution and to induce financial responsibility among national governments. However, co-financing induces a decision-making power for Member States. The latter could create distortions of competition due to the capability or political will of some Member States to co-finance more than others, particularly in the current situation created by the debt crisis.

### *More equity among farmers?*

The Commission's proposals introduce a new 'Basic Payment Scheme' that should be applied across the EU-27 as from 2014 in order to

move towards a uniform payment per hectare inside each region by 2019. This single scheme will allow moving away from the different models under the Single Payments Scheme (SPS) in the EU-15 and the Single Area Payments Scheme (SAPS) in most of the EU-12. This Basic Payment Scheme based on the current regional model will reduce the differences of support among farmers and types of production but also among Member States and regions. Member States applying the ‘historic’ model will have to calculate 50% of their basic payment on a uniform basis in 2014 to attain a fully uniform payment by 2019.

The Basic Payment Scheme will be complemented by a series of additional payments funded under the direct payments national envelope. These include a mandatory green payment of 30% of the national envelope to farmers following agricultural practices favourable to the climate and the environment; a special small farmers’ scheme that could represent up to 10% of the national envelope; a mandatory additional payment to new young farmers (under the age of 40) that could reach up to 2% of the national envelope and, a *voluntary* additional payment that could represent up to 5% of the national envelope for farmers in disadvantaged areas. Some countries, such as Poland, consider that Member States with small national envelopes will not be able to adequately compensate their farmers for the requirements imposed under the green payment. For instance, a Latvian farmer who receives an average direct payment of about €95 per year will not receive the same amount of money as a Dutch farmer who receive an average direct payment of about €458 per year<sup>2</sup>, under the same requirements to

get the green payment. Many Eastern countries also consider that there is no reason to support young farmers. In countries with a small number of young farmers and a large national envelope, these young farmers will receive much higher payments than in countries with a large number of young farmers and a small national envelope. One can therefore wonder, like some participants did, whether this proposal is not creating even more situations of inequity.

The Commission also intends to cap direct income support for the very large farms that benefit from economies of scale. Direct payments will be progressively capped starting from €150,000 - with a maximum threshold for payments of €300,000 per year. However, a part of the salary and social security costs can be deducted from the total amount, making capping only applicable to a very little number of large farms. Therefore, most participants shared the view that, despite the apparent argument of equity, capping will have more a symbolic than actual meaning.

A restriction of payments to ‘active’ farmers has also been proposed. It should exclude “sofa farmers”, such as landowners of golf fields or airports, from support. The definition of an active farmer is however rather broad. EU aid would still be given to farmers whose income from non-agricultural activity represents less than 95% of their annual revenue. This questionable formula is mainly due to the fact that the Commission had to find a definition which respects WTO rules and does not link support to production. However, we can question the granting of public funds to someone who derives only 6% of its total income from farming.

In conclusion, it remains questionable whether the Commission’s proposals regarding the

<sup>2</sup> European Commission, *Annex 3: Direct payments in Impact Assessment, Common Agricultural Policy towards 2020*, Commission Staff Working Paper, Brussels, 20 October 2011.

design of the direct payments scheme will significantly change the unfair allocation of payments to beneficiaries. Given the CAP's history and the overall EU budget allocation, it has been observed that the distribution of the CAP's funds among Member States and farmers goes beyond the simple argument of equity. Although the Commission's proposals have introduced a system of convergence to reduce income differences between the old and new Member States, this convergence will take time, as it will only be partially achieved by 2019. Moreover, the issue of internal disparities among farmers has barely been addressed. The proposal of phasing out the historic references used to calculate direct payment is a positive element. However, while many eastern countries request the abandonment of the historic model - which is no longer legitimate - from 2014 on, part of direct support should still be based on these historical references until 2019. The four other Commission's proposals – the special scheme for small farmers, the additional support for new young farmers, the capping of payments and the aid focused on active farmers – are actually very modest. Besides, the proposals of capping support and focusing aid only on active farmers have already faced strong opposition from several members in the Council of ministers. In the middle and long term, a legitimate solution should be to reach a certain level of convergence across regions facing similar macro economic conditions. It would allow treating farmers equally when the circumstances are very similar.

## A greener CAP<sup>3</sup>

### *Background*

The key question facing agriculture today is how to produce more in a more sustainable way, protecting water and soil, enhancing biodiversity and combating climate change. In the last decade and a half, the CAP has increasingly developed its greening measures. In pillar 1, direct payments have become subordinated to the respect of cross-compliance to environmental requirements and standards of good agricultural and environmental practices. In pillar 2, the rural development policy has put emphasis on the preservation of rural environment and land management.

The central element of the Commission's proposals is greening. The idea is to link direct payments with the delivery of public goods such as the countryside, biodiversity, water quality, the fight to counter climate change, etc. The idea of being of use to the public would restore part of the lost legitimacy of CAP's direct support. However, greening has its limits. In order to become a real added value for the European agriculture, it has to be properly balanced so as not to lead to additional costs and complexity and therefore undermining the sector's competitiveness. In their current form, the added value of the measures proposed to make the CAP greener can be questioned.

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<sup>3</sup> This section is mostly inspired by the presentations of Poul Skytte CHRISTOFFERSEN (Former Head of Cabinet of Commissioner Fischler, European Commission) and Alain-Dominique QUINTART (Head of Government & Public Affairs EAME, Syngenta) given at the Egmont's CAP seminar held on the 25<sup>th</sup> of November.

*The green 'conditionalities' of direct support*

The Commission's proposals maintain the subordination of support to the respect of cross-compliance requirements and standards of good agricultural and environmental practices. This cross-compliance system should be slightly simplified by reducing the number of requirements. Moreover, some changes are envisaged, including the addition of the Water Framework and Sustainable Use of Pesticides directives.

The most important and innovative change proposed by the Commission is the green payment, making 30% of the CAP's direct payments national envelope conditional on three "greening" measures:

- Diversifying cultivation: farmers have to grow at least three different crops simultaneously, two of which must represent at least 5% of the arable land and the third one must not exceed 70%;
- Maintaining permanent pasture at the 2014 level of the individual farm;
- Maintaining an "ecological focus area" of at least 7% of farmland (excluding permanent grassland) via field margins, hedges, trees, fallow land, landscape features, biotopes, buffer strips, and forested area.

Although it is generally explained that the greening measures would be compulsory for Member States but voluntary for farmers to accept, the proposal requires that the farmer who wants to remain eligible for the basic payment must also comply with the greening measures, turning them into a form of conditionality.

These greening actions are meant to deliver environmental public goods. However, as long as the implementing measures are not known,

the real added value of the CAP's green payment will be difficult to assess.

The first aspect of the greening rules relates to crop diversification. This measure is very attractive but will greatly depend on the way it is enforced. Crop diversification can be interpreted in different ways. For instance, should winter and summer wheat be considered as two different crops? Although most farmers already diversify their cultivation, it might prove difficult to implement in certain areas where soil and climate conditions work against the principle of crop diversification.

The implementation of mandatory set-aside areas entails important transitions risks. To ensure the effect of maintaining permanent grassland at the 2014 level, it must be ensured that farmers are not able to plough up existing pasture and rent new grassland (which cannot be used for any other purpose) in order to comply with the requirement. Farmers could also plough up existing grassland in order to create scope for increasing the grassland once the reform will enter into force.

The third aspect of the greening measures, requiring that farmers devote 7% of their eligible land for ecological purposes, is at first sight the most interesting. However, on closer examination one finds that the proposal does not specify how farmers should manage this ecological focus area of their land. In the absence of a framework for landscape management, this ecological focus area could not be maintained on the same surface each year. Yet, to enhance biodiversity, such areas need to be actively maintained for longer periods of time. Moreover, creating ecological/biodiversity corridors throughout Europe presupposes that these areas are connected and not scattered around the farms.

In order to incentivise farmers to sustainably intensify the quantity and the quality of agriculture production in Europe, innovation and new technologies are essential. In agriculture, the use of technology is not necessarily seen as part of the ‘greening’ concept, which is perhaps a missed opportunity. Syngenta – an agri-business committed to research and innovation – proposes therefore to include in the greening measures for direct payment the recognition of innovative practices and technologies that provide a better use of energy, water, soil, or stimulate biodiversity or carbon fixation.

### *The green payment’s impacts*

The excellent idea of delivering public goods via the green payment may well be counter-balanced by an increase of the costs of farming in the EU and a failure to stimulate the desired change in agriculture practices. Moreover, an additional control system to the already existing control of cross-compliance will be needed. The policy will need to strike the right balance between simplicity and efficiency.

The costs of farming are expected to increase directly through a heavier administrative burden on farmers and indirectly through a loss of income in the short term. According to the Commission’s impact assessment, the cost of greening will amount to €33 per hectare of potentially eligible area (assuming about 160 million ha) in 2020 or a total cost of about €5 billion to EU farmers.<sup>4</sup>

The most controversial greening measure is the 7% of mandatory set-aside area. Demand

for agricultural products is likely to rise in the future due to the population increase, dietary changes and the use of land for biofuels. Converting cultivatable land to permanent green grass could therefore not only reduce the overall production but also have a global environmental impact through increased imports. Nevertheless, the Commission argues that out of the 7% of set-aside area, there is already 4-5% that is not used by farmers and would qualify for this measure. With regard to the crop diversification, it may lead to price increases for the main arable crops, weakening the competitiveness of some products.

A participant underlined that there is no real economic incentive for farmers to change behaviour and become greener. The green payment is in most cases just enough or not enough to cover the additional costs and income foregone resulting from the greening measures. Demonstration farms from Syngenta throughout Europe have nevertheless already proved that it was relatively easy to provide environmental goods while being profitable.

Although many Member States are very much in favour of greening, they question the added value of the measures proposed by the Commission. Most of the time these measures do not suit their agricultural conditions, affecting their competitiveness. These countries would like to see more flexibility introduced in the proposals in order to have more tailor-made measures according to the situation of the regions. Flexibility is of course always very tempting. However, it also gives more room for loopholes. There is a risk that some Member States would exploit it, while others would not be able or would not like to do it. This would create distortions of competition and unfair situations. There is thus a big dilemma lying there.

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<sup>4</sup> European Commission, Greening – Results of partial analysis on impact on farm income using FADN in Annex 2D, Impact Assessment, Common Agricultural Policy Towards 2020, Staff Working Paper, Brussels, 20 October 2011.

Ultimately, one can wonder - like one participant - whether it would not have been possible to incorporate the greening measures in the cross-compliance scheme. It would have been the opportunity to simplify and streamline the cross-compliance system, in particular the part linked to the observance of good agricultural practice. Besides, with greater clarity, it would also have been possible to be more tough on sanctions.

### *The second pillar's role*

Over the past ten years, the EU's rural development policy co-financed with Member States under Pillar 2 has grown much more rapidly than the first, playing an essential role in greening the CAP. However, it is now decreasing, which is not encouraging for environment. This Rural Development policy creates the legal framework in which Member States design their Plan for farmers, according to each country's national specificities and giving more flexibility to tailor the needed solutions.

The Commission proposes to introduce new rural development priorities in line with the Europe 2020 Strategy instead of the four current axes. These priorities are: fostering knowledge and innovation in agriculture and forestry; enhancing competitiveness; promoting food chain organisation and risk management; restoring, preserving and enhancing ecosystems (biodiversity, water management and soil management); promoting resource efficiency and the transition towards a low carbon and climate resilient economy; and realising the job's potential and development of rural areas.

Two of these priorities clearly support the preservation of rural areas, the protection of the environment and the fight against climate change. Member States will have to continue

to give at least 25% of their Pillar 2 budget for issues related to the environment. However, the system does not favour projects focused on these issues as much as before. In the CAP Health Check, the Commission used to give 75% of co-financing to these issues.

Fostering knowledge and innovation is a rural development priority that could also play a key role for the environment. The proposals for a substantial increase in the R&D budget dedicated to agricultural innovation and a new European innovation partnership, as well as the emphasis on the transfer of agricultural knowledge to the farmers are therefore generally welcomed. However, in order for innovation to play an important role in sustainable agriculture, the regulatory framework should be largely improved.

In conclusion, the idea of greening the CAP is excellent, but – as it currently stands in the proposals – it might well reduce productivity, increase the administrative, regulatory, and financial burden on farmers, without actually producing any real benefits for the environment. Striking the right balance between competitiveness and environmental public-goods will require a policy choice. For some Member States, the provisions under pillar II for agri-environment measures already provide appropriate and flexible mechanisms to strike the right balance. Therefore, it is necessary to have a close look at the greening proposals and the way they will be implemented in order to assess whether they answer to the central question in agriculture today; how to increase production in a sustainable way.



## A market-oriented CAP<sup>5</sup>

### *Background*

To better grasp the ideas put forward on how to make the CAP more market-oriented, it is important to understand how agriculture must be publically perceived. Agriculture must be considered; on the one hand, as a business seeking to get its returns from the market, and, on the other hand, as a policy for all citizens, ensuring we are using our common resources effectively by the delivery of public goods. In order to be politically acceptable for taxpayers, the CAP has to respect these two aspects of agriculture and show real benefits in the use of public money. The Commission's proposal for the next Multi-annual Financial Framework is to allocate €435 billion to the CAP. This is equivalent to €1970 per second spent on the CAP for the next seven years. Many countries believe that such an amount still represents too big a share in the EU budget comparing to other EU priorities. Conversely, the Commission defends that when comparing the vast sums of public money spent in other sectors, the CAP is fairly cheap considering the services it renders to society.

Key objectives of the CAP reform are ensuring continued and enhanced market focus and increasing competitiveness and productivity of EU agriculture. During the subsequent reforms since 1992, the amount of support provided through market intervention measures has gradually been reduced and replaced by a direct income support linked to cross-compliance

requirements. This has allowed a convergence between internal and external market prices, making the EU quite competitive in most of the agricultural products on the world market. For some products, market support remains but only up to a low safety net level. The Commission's proposals maintain this current market orientation.

### *Towards a more market-oriented CAP*

In order to develop a competitive EU agriculture, there is a need for structural change. The key factors that can help farm businesses to respond to this need are; investing in physical infrastructure that can enhance productivity and human capital, improving the skills and knowledge of employees and managers, stimulating innovation and the use of technology, and favouring genuine competition to stimulate enterprise. These elements request behavioral changes that could be stimulated through public policy. Many elements of the CAP reform proposals are going in that direction.

With milk quotas and wine planting rights already set to expire, the Commission is looking to end the last remaining quota regime for sugar. The current system limiting national sugar production and setting minimum prices should expire by 30 September 2015, accompanied by reductions in import tariffs.

Following the analysis that the Commission made of the milk sector, it came out that efforts should be made to reinforce the bargaining power of farmers in the food chain. These efforts include promoting the use of written contracts and facilitating the formation of producer organisations in sectors other than fruit and vegetable where they have already played a role. Currently, the recognition of these producer organisations is left to the discretion of Member States. The proposal

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<sup>5</sup> This section is mostly inspired by the presentations of Tim RENDER (Counselor Agriculture and Regions, Permanent Representation of the UK to the EU) and Hermanus VERSTEIJLEN (Director, Agricultural markets, DG AGRI, European Commission) given at the Egmont's CAP seminar held on the 25<sup>th</sup> of November.

obliges Member States to recognise them as long as they comply with the Commission's criteria. Closer cooperation between farm businesses could allow farmers to gain efficiencies of scale and to share resources, helping with physical infrastructure investment issues.

In that context, the Commission also proposes to derogate from normal competition law for the milk sector in order to strengthen the bargaining power of milk producers. Producer organisations representing dairy farmers will be able to negotiate contract terms, including prices, for some or all of their members. The share of national milk production controlled by a producer organisation will not be allowed to exceed 33% of total national production. However, it is likely that these producer groups will take some time to get their farmers to agree on prices. According to the proposal, the contract terms negotiated by these producer groups could also be made compulsory by Member States. This runs the risk of bringing back volume control in the milk sector. In some Member States, the prices based on this volume control could be higher than in others, damaging the internal market. A very careful discussion should be held in the Council of Ministers and the Parliament on this matter.

Both more food and agriculture R&D and better ways of transferring the knowledge from researchers to farmers are key to boosting innovation and competitiveness. The Commission's proposal to boost the available research budget is therefore more than welcome. Moreover, the new European Innovation Partnership approach should offer a new way of tackling the difficult issue of technology transfer.

### *Going further?*

Some countries, particularly the UK, consider that the Commission missed the opportunity to begin a journey away from subsidy dependency. According to them, the current levels of direct support reduce the need to grow competitiveness and productivity, leading to a sub-optimal use of economic resources.

The direct support levels issue is a very sensitive one. As food producer and provider of public goods, the amount of public money a farmer should get depends on one's point of view. These subsidies are very important for net farm incomes. In the milk and cereal sectors, the direct support share of the net family income can range from 60 to 100%, depending on the market situation. The removal of direct support would therefore lead to a large decrease in the number of farmers.

### *Is the proposed safety-net sufficient?*

The Commission has proposed to revise the existing systems of public intervention and private storage aid – used as safety nets to help producers in times of market difficulty – to make it more responsive and more efficient. A new safeguard clause is also to be introduced to enable the Commission to take emergency measures in response to market disturbances, such as the one caused by the e-coli crisis in May-July 2011. These emergency measures should be paid from a new Special Reserve with an annual ceiling of €500 million to be mobilised in case of crises.

As price volatility will become an increasingly regular phenomenon, there are doubts on whether these instruments will be sufficient. While Poland would like to see new proposals to minimize the risks, the UK would rather prefer a more limited safety-net.

In a nutshell, enhancing competitiveness is vital for the long-term future of the EU agriculture. A lot of things can be done but opportunities will need to be seized by Member States and farmers. During these past years, the CAP has known a big reduction in its budget and a decrease in the transfer of EU consumers to farmers. This has been the price to pay to keep the EU market open. Therefore, as rightly stated by a participant, the first priority is an open market; the second is a continued budgetary support from the EU and finally, if something remains to be given, to accept a certain level of direct payments.

## Conclusions

In 2013, the CAP will open a new chapter in its long history of reforms. It is already clear that with the Commission's proposals on the table this new chapter will not be revolutionary, but it will surely follow the slow forward looking trend of the previous reforms.

Compromises are starting to emerge on some issues. However, on the most sensitive ones, there is still a lot of work to do. The CAP is a multi-functional policy developed on the basis of different collective objectives. These different objectives imply both complementarities and trade-offs. It is clear that, with its history, it is difficult for the CAP to be more equitable, while remaining effective. As for the greening of the CAP, it will require trade-offs if it also has to remain simple and competitive. In terms of

complementarities, R&D and innovation are key areas to encourage. Not only can they boost competitiveness but also deliver better environmental results. Finally, maintaining the market orientation of the CAP, while dealing with an increasing volatility in the markets also implies a policy-choice on the suitable level of public intervention in case of crises.

Considering the trade-offs to be made, it must be acknowledged that the Commission's proposals are a good basis for further negotiations as they already strike a pretty good balance between the different objectives at stake.

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The European Policy Brief is a publication of Egmont, the Royal Institute for International Relations

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