



## Foreword

**I** have practically spent my entire life in farming and in the countryside, and have always been involved in agricultural development - I was born a farmer, trained and worked as such and have given my heart and soul to farming. I have put my thoughts to paper out of this sincerely felt commitment to the future of the countryside and nature. It is an attempt to contribute to the debate, as the stakes are high and things will change considerably.

Obviously I have been helped by others and have incorporated many of their ideas. This essay is the product of a fantastic process of support from my staff. Thanks are due to the entire team, headed by DG Ate Oostra: Kees Oomen, Jan Gerrit Deelen, Gerrit Meester, Roald Lapperre, Dick Koelega, Hans Hoogeveen, Albert Vermuë and Tim Verhoef. And the many others that have contributed, who were able to read my handwriting and made it legible: Denise, Annemiek, Esther, Gertine and Dennis. It is a good example of the way we work at the Ministry: with inspiration, decisiveness and practical insight.

Naturally, I bear full responsibility for what has been written here.

Cees Veerman,  
December 2006

# The world of 1958 is not the world of 2008

## 1. INTRODUCTION

This essay is about European policy for agriculture and rural affairs, its past and its future. “Does it have a future then?” you may well ask. I will argue that it does indeed, but the objectives and the forms they take will be very different from the past. In 2008 we will run a ‘health check’ on the reforms of the Common Agricultural Policy (CAP) that were carried out from 2003 to 2005. By then it will be fifty years since the conference in Stresa, when all the influential people in agriculture in the Europe of the Six, as it then was, met to establish the principles of what was to become the Common Agricultural Policy. The name of my compatriot Sicco Mansholt will be forever linked to the design and implementation of this policy.

Now, half a century later, our challenge is to deal with the tasks facing European agriculture and our rural areas in the 21<sup>st</sup> century. The world of 1958 is not the world of 2008. Although this might seem an obvious comment, the differences are so great and multifarious, that in 1958, we could not have conceived of the developments there would be in the world. The shortages which shaped policy after the war have largely been overcome: now we are threatened with shortages of a very different kind - shortages which raise new issues of distribution.

Fifty years after the founding of the European Union, we now have to consider whether and how a common policy for the agriculture sector and rural areas should be designed in a community of 27 (from January 2007). That it needs our careful consideration is clear, not just because of the great changes taking place in Europe today, or from the global perspective of the world economy, but also because the current financial framework and other agreements within the EU are in place



until 2013<sup>1</sup>. After that, there is a political void in this respect. This essay is an attempt to contribute to opinion forming about the period after 2013. I am writing this as a fully committed European, who wants to contribute, not without reservations, but with a steadfast will, to closer union and cooperation in the community of the peoples of Europe.

I think that the CAP has been one of the greatest (if not the greatest) supports underpinning European cooperation to date, and can be so again in the future as long as we have the courage to further European cooperation and to forge new European relations and understanding in the coming years. And I am convinced that the historical values set in train by the founders of European integration can and must now form the basis for the goals and organisation of the policy. After all the European Union is a community based not only on economic and social motives, but on a common history with commonly developed and shared values. These values are certainly worth defending. But they are also, and I think this is less and less recognised in our country, values which ultimately form the only reliable basis for growing unification.

But first, radical changes to agriculture policy are needed. The CAP has developed from a driving force for cooperation and integration of a growing number of Member States into a financial bone of contention, a stumbling block to innovation and a negative example of state influence on economic life. We have taken many steps, both large and small, towards reform in the past few years. You could say that we have been tinkering with it, pulling it apart, repairing and remodelling the CAP since the start of the sixties. And always based on the original objectives, to some degree. Although some Member States held to it or deferred to it more than others, the values behind the CAP objectives, which were embodied in the Treaty of Rome, still played a role. Before we look towards the future, it is a good idea to take stock of the historical roots of those values and those objectives.

## 2. A QUICK LOOK BACK

What has happened in Europe since 1870? It has seen three wars in which Germany and France were initially the main players. The map of

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<sup>1</sup> Assuming that the expected 2008-2009 review of the EU budget doesn't alter these agreements.

Europe was redrawn again and again, with peoples, minorities, languages and cultures being split up or combined. New countries were created, divided or rearranged. This brought about mass migration, unspeakable suffering, unimaginable damage, oppression, frustration, political uncertainty, not to mention the countless destitute that this produced. In that chain of catastrophes Europe also had to suffer the terrible impact of the Great Depression of the nineteen thirties.

After the Second World War European countries had lost their colonies, often after a hopeless and ill-advised struggle. The communism of the Soviet Union established itself through political annexation of central and eastern European states. The influence of the US, after its crucial military intervention to put an end to both world wars, took further shape in NATO and the Marshall Plan. The Cold War and the global struggle to extend spheres of influence characterised the period from the mid-fifties.

In those days, following the pain and guilt of those dreadful experiences, we began to realise that war and economic depression are extremely disruptive forces, to be avoided at all costs. From this start grew the will to cooperate, shaped by political giants and statesmen of legendary status. The centrality of France and Germany in the rapprochement between states was due directly to the conflicts of the preceding 75 years, as well as to their economic weight. The choice of coal and steel was an obvious one: the need for raw materials for reconstruction, as well as the historic root of the tension between the two countries, meant this pretext for cooperation made commercial sense and was politically prudent.

Nor is it any more surprising that we then turned to agriculture as an area to strengthen and shape cooperation. Europe had serious food shortages, which had to be solved by imports, and Europe's population grew rapidly. To complicate matters further, these imports had to be financed in dollars, which were not only extremely scarce at the time, but sorely needed for the reconstruction and modernisation of a devastated continent. Increasing domestic supplies was a way to counteract this shortage of hard currency. In addition, there was a deep-seated need to keep the cost of living down, to limit wages rises and so improve the competitive position of recovering industries. Furthermore, don't forget, we needed to bring the income of farmers

and labourers up to a reasonable level (around 1960 more than 20% of the workforce of the six Member States worked in agriculture), to ensure our own food supplies and to slow the outflow of people out of agriculture and the migration to the towns.

But there was another factor driving cooperation, namely the creation of a customs union to eliminate tariffs between the countries. Industry, particularly in Germany, saw the great benefits this would bring. But what was true for industry in Germany, was equally true for agriculture in France and the Netherlands. As stipulated under Article 32 (formerly Art. 38) of the EC Treaty, the Common Market would have to extend to agriculture and trade in agricultural products, and a common agricultural policy would have to be developed among Member States. From 1959 on, all internal, non-tariff trade barriers were replaced by tariffs, which tariffs were then gradually decreased and so, on the basis of cooperation and mutual interest, industry and agriculture became ever more interdependent. Many writers and players of the day bear witness that this development did not come about without a struggle. However, partly under pressure from the geopolitical situation - the building of the Berlin Wall began in 1961 and the United Kingdom asked to join the Community - the impasse was broken and in 1962, the decision was made to introduce a common agriculture policy, in connection with further development of the politics of the customs union. And so began the first market regulation for cereals and cereal products, later to be followed by dairy, sugar, beef, and other products<sup>2</sup>.

When described in this way, it may seem as though the socio-economic forces at work at the time were leading the political decisions, and that cooperation only followed when people realised the mutual advantages. But to jump to this conclusion is to dismiss the failed attempt in the early fifties to set up a European Defence Community, and, more importantly, to miss the point that the dramatic history of Europe provided the real reason for the European nations coming together. The true cause lies even deeper in my view, in the spiritual and intellectual history of Europe: the Europe of the Roman Empire, of Augustine and Thomas, the Europe of Erasmus and Luther, of Kant and

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<sup>2</sup> J. Merriënboer, Mansholt. *Een biografie*. Boom Publishers, 2006, Chapter 11, p. 280 and J.H. Molengraaf, *Boeren in Brussel. Nederland en het gemeenschappelijk Europees landbouwbeleid, 1958-1971*. Utrecht, 1999, p. 107.

Kierkegaard, of Mozart, Sibelius, Smetana and Chopin, of Holbein, Rembrandt and Cézanne, of Dante, Cervantes, Goethe and Shakespeare, of Marie Curie, Einstein, Semmelweis and Boerhave. And of all others in the long series of those who saw Europe as their fatherland. Stefan Zweig relates that before the First World War, he could still travel the length and breadth of Europe without a passport. Art and Science, Humanism and Christianity are the undeniable witnesses of the common development and cultures of the peoples of Europe. Nationalistic thinking that was to prove so disastrous did not take hold until the second half of the nineteenth century; economic isolation began around the First World War. But the wars, conflicts, reconciliations and cooperation are also our shared inheritance today. Undoing the fragmentation of Europe, the consequence of events during the first half of the twentieth century, was the motivation for integration in the second half.

I conclude that the European spirit and European cooperation are based on our common history and culture, and that the values anchored therein have been shaped by socio-economic arrangements: the customs union, which has blossomed into a common internal market, and the Common Agriculture Policy which is a vital part of it. Without the CAP, I venture to say, that the Union would not have become what it is today. I will argue that the European agriculture and rural policy can continue that work, but for that to happen, much in it needs to change.

### **3. THE MORAL BEHIND THE NEED FOR EUROPEAN COOPERATION**

Writing in 1953, but no less relevant today, Professor Van der Kooy said in his article “On the borders of economics and religion”, that the soundness of an economic decision must be judged by the standard of expediency<sup>3</sup>. But expediency goes hand in hand with objectives, which, in turn, must be tested against moral values, an issue I will now address further.

The way I see it is that there are two dominant values in European culture: justice and freedom. Freedom is one of the basic values behind European thought. Sadly many people nowadays interpret freedom entirely differently from the traditional meaning. I concur

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<sup>3</sup> T.P. van der Kooy, *Op het grensgebied van economie en religie*. Wageningen, 1953, p. 34.

with the conclusion drawn, I believe correctly, by Van der Wal, which is that the classical concept of freedom has in modern times taken on a closed meaning, that is to say, one which refers to the thing itself, to the subject alone: freedom which is achieved *despite* others<sup>4</sup>. This in contrast to the open meaning whereby freedom is achieved with others. Freedom as a relationship, rather than freedom as a domain. This ties in with a concept such as ‘the worthiness of man’ in the sense given by Pico della Mirandola: namely that “man can become what he will.”<sup>5</sup> In the words of Van der Wal, this means that man “becomes the determining factor in his surroundings,” and the relation with the other and with his surroundings is weakened or disappears altogether.<sup>6</sup>

It may be clear that the modern interpretation of freedom, lacking as it does any relational element, any involvement with others and its surroundings, does little to motivate cooperation and solidarity. This is a widely seen social phenomenon. This also goes a considerable way to explaining the recent lack of progress, relatively speaking, in European cooperation. This is unfortunate, as it is hard to see how the classic concept of freedom can be given a new social interpretation, and how long that would take. The current neo-liberal, neo-conservative tendencies, which are grafted onto the closed concept of freedom, do not offer great prospects in this respect.

The second core value behind European thought is justice. Justice is a value from the Judeo-Christian tradition, which means doing right by the weak, those who need our help because they cannot look after themselves, without expecting anything in return, without prescription, without their having a legal claim, and without need for their friendship. But this value too, like freedom, has become a problem in our times. How often do we see it confused with legitimacy, as though it were simply a matter of conforming to the current legal framework? But unlike legitimacy, justice must be understood in a sense that is separate from, or outside the current legal framework. Justice raises the question of what is due to a person in ethical terms, and in terms of norms, or what *should* be due to a

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<sup>4</sup> G.A. van der Wal, *De omkering van de wereld*, Ambo Baarn 1996, p. 39-73.

<sup>5</sup> See also J. Carrol, *De teloorgang van de Westerse cultuur*, [www.inmere.nl](http://www.inmere.nl) p. 11.

<sup>6</sup> Van der Wal, p. 72

person on the basis of basic values. “Justice elevates a people,” says the proverb, proclaiming an ancient truth. Pope Benedict XVI built on this truth when he said that justice “is the aim and the intrinsic criterion of all politics.”<sup>7</sup> The pursuit of justice is a cornerstone of Christian belief and an important driving force of Humanism, and thus of European culture. One does not seek justice in subjection to the state or faith, but in the relation of one person to another. From the will and capacity to be a worthy human being, one approaches the other in an open way, and sees the other as a full and equal partner.

I conclude that this moral aspect of European cooperation has been relegated to the background in recent years and that the basic tenets of freedom and justice have been saddled with a weaker meaning and a different interpretation. European debates are increasingly dominated by people striving for their own national advantage. However, thinking about the development of cooperation in Europe and how to give it shape, including agriculture and rural policy, in my view requires thinking with the original meaning of these basic values in mind, in the light of modern-day priorities, the geopolitical situation, and the changes in the world around us: the environment and climate change, technological development, and not least demographic change.

As I noted in my introduction, the tasks facing Europe, European agriculture and European rural areas in 2007, as I see it, are of a completely different order to those of 1957, when the Treaty of Rome was signed. When it comes to food production and food supply, and the development of rural areas, we have new requirements and new distribution issues, which compel us to rethink the role and responsibilities of government. I believe it is essential to realise too, that the most significant trends and developments that I discern have a dimension and impact that goes beyond national borders. In other words, we are continually dealing with issues which transcend the control and problem-solving capacity of individual states, these are issues which play out at a European, and increasingly, a global level, and for which we can only devise feasible solutions by pooling our common intelligence and potential. In short, they require a European approach and European solidarity.

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<sup>7</sup> Encyclical *Deus Caritas Est*, 2006.

#### 4. THE CURRENT SITUATION

I will not dwell on the present, or what tomorrow will bring, as that is an issue for my successor. However, to obtain the complete picture it is necessary to look at certain facts and agreements that have been made. After the substantial reforms of 1992 (MacSharry) and 2003 (Fischler), subsidies for farmers were in most cases decoupled from production levels, and the most disruptive effects of subsidies on trade were eradicated.<sup>8</sup>

Until 2013, the real value of subsidies paid to individual farmers in the old Member States will fall by some 30%, as these subsidies are linked to a ceiling that was established in 2002 and will only be corrected for inflation at a reduced rate (a maximum of 1%), by applying modulation (transfer of funds from direct farming subsidies to rural development schemes), by paying limited compensation for price support, and by applying a general reduction in subsidy payments that will be introduced if subsidies threaten to surpass the ceiling ('degressivity').

The 2003 reforms also mean that the CAP's share of the EU budget will fall from the current level of 45% to 39% in 2013. The costs of the CAP amount to no more than half a percent of the EU's GNP, or almost 1% of all government subsidies within the Union.

There will be a number of reviews in the coming years: a health check on the reformed CAP in 2008, as well as a comprehensive budget review in 2008/2009 which could offer prospects for co-financing formulas. Furthermore, in 2008 the discussions on milk quotas will focus on whether we should gradually phase out the current system during the period until 2015. I have expressed my opinion on this on various occasions.

In my view, a more interesting issue, and one that escapes the focus of current political debate, is the effect developments after 2013 will have on agriculture, the rural area, and the relevant policy.

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<sup>8</sup> Compared with other EU countries, the Netherlands receives a relatively modest level of (decoupled) income support: EUR 800 million for no more than a third of its total agricultural production.

## 5. CLIMATE AND ENERGY

Let us consider, first of all, climate change and energy supply. Thanks to former US vice president Al Gore, among others, the looming threat of global warming due to the emission of greenhouse gases, is right back on the international agenda - and rightly so. The consequences of the predicted climate change will be radical and manifold<sup>9</sup>: an increased risk of flooding in low-lying areas is set against overwhelming drought in other areas; hundreds of millions of people worldwide are at risk of being uprooted, while a rise in temperature of just 2 degrees will reduce the amount of water available to agriculture in Southern Europe by 20%. And that is not all: dwindling food harvests, particularly in Africa, leading to a growing host of starving people, increasing poverty in what are already the poorest countries, and serious damage to ecosystems - a global rise in temperature of 2 degrees could threaten wipe out between 15 and 40% of the world's species.

The changes wrought by global warming have been explored in various scenario studies. The predictions inevitably come with some degree of uncertainty, but the general picture is that northern Europe will become warmer and wetter while the south becomes warmer and drier. The shifting of climatic zones will inevitably lead to shifts in crop conditions. As the climate in Southern Europe becomes drier and hotter, the agricultural resources in Northern Europe may become more important for the food supply.<sup>10</sup> In global terms scientists anticipate fewer negative effects for Europe than for other parts of the world.<sup>11</sup> In other words, climate change is a perfect example of a new distribution issue facing Europe. After all, if Europe ends up being one of the major food suppliers to the world in the coming decades, this not only gives us new responsibilities, it also offers new opportunities.

The anticipated change in the climate also underlines the importance of agriculture as a supplier of non-food crops. The steep rises in the price of fossil fuels and the need to reduced carbon emissions have made the extraction of fuel from vegetable and waste matter more

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<sup>9</sup> Nicholas Stern, *The Economics of Climate Change*, 2006.

<sup>10</sup> *Change Special Klimaatverandering & Adaptie*, Ministerie van LNV, July 2006, p. 33 ff, and the presentation of Martin Perry of the UK Meteorological Office during the informal Agriculture and Environment Council of 11 September 2005 "Impacts of Climate Change on Agriculture in Europe".

<sup>11</sup> Compare pre-publication of the report by the *Groupe intergouvernementale d'experts sur l'évaluation du climat* (GEIC) printed in *Le Monde* in form of map image, 26 September 2006, Economy V.

economically viable. More energy crops are grown than ever before, and much investment has been poured into processing them. On a world scale interest in the production of ethanol and biodiesel is enjoying unprecedented growth.

But it is not just for the sake of energy that vegetable products are enjoying a resurgence. They are also prized as a source of new sustainable materials. This could cause tension in the market for raw materials between energy and food use, which reminds me of the saying of the old Roman generals, that “horses eat people” and that was why the legions moved on foot. The competition between food, feed, and non-food uses will intensify. Concepts like “bio refineries”, where waste materials and vegetable matter could be processed, will take on increased significance. And if the mineral issues surrounding waste from the fermentation process can be resolved, it would provide an additional impulse for this form of environmentally-friendly energy production. But the cultivation of woody crops for use as fuel, either directly, or by means of fermentation would also present possibilities.

## 6. FOOD, WATER AND ENVIRONMENT

The second relevant trend I want to address is the global demographic development and the burden it places on the environment, particularly through water consumption. The United Nations estimate that the world population will reach around 7.8 billion by 2025 and 9 billion by 2050. That is an increase of 50% in 50 years. The population of Europe is not growing and is ageing rapidly.<sup>12</sup> These two facts have very significant repercussions for the world’s future food demands, in terms of both quality and quantity.<sup>13</sup> If we add to that the strong economic growth and associated rise in incomes in emerging economies, such as China and India, and the empirically established stable relationship between standard of living and the consumption of animal protein, we must conclude that that the demand for higher quality foods (and so for sheer volume of original biomass) will increase sharply.<sup>14</sup>

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<sup>12</sup> Compare T. Judts, *Na de oorlog*, 2006 Contact Baarn, p. 978 ff

<sup>13</sup> Taken from the *NRC Handelsblad* of 16 October 2006 (World Food Day): In 2006, almost 815 million people are suffering from acute or chronic malnourishment; malnutrition is responsible for 10 million deaths annually, 6 million of which are children. Since 1990, the number of people suffering from malnourishment has decreased by 9 million. This decrease occurred primarily in Asia and South and Central America. In Sub-Saharan Africa, the numbers increased by 20%; one in three people there is suffering from malnutrition.

<sup>14</sup> Compare Louise O. Fresco. *De nieuwe spijswetten*, Bert Bakker, 2006, p.94 ff

Without a doubt, our efforts to reduce hunger in the world - a positive thing in itself - have taken their toll on the environment and the soil through erosion, salinisation, desertification, mineral saturation and deforestation. The highest price has been paid by the environment and soil in the developing countries.<sup>15</sup> In particular areas there has been a huge loss of biodiversity. This can threaten the existence of ecosystems and lead to the permanent loss of genetic resources.

Water consumption is another factor: global freshwater consumption is doubling every 20 years. At this year's Fourth World Water Forum in Mexico, all the facts pointed in the same direction: water is becoming such a scarce commodity that it will increasingly become a source of conflict. Let me give some examples from agriculture: farming accounts for 70% of all water consumption: half the food is produced by supplying water by artificial means. One thousand five hundred litres of water are needed to produce one kilo of wheat, while the production of one kilo of beef requires 15,000 litres. Europeans consume an average of 700 m<sup>3</sup> litres a year, Africans less than 200 m<sup>3</sup>. And we must also take into account the problems of drinking water quality and its associated consequences for people's health.<sup>16</sup>

Here, too, in addition to absolute scarcity, we see a major distribution problem. The rich developed countries in the west have consumed much of their natural resources or brought them within their sphere of influence, and emerging economies like India and China are rapidly following suit. The moral question that arises here is, whether we are entitled to dispute their right to strive for similar levels of prosperity in the light of this scarcity of resources. And whether we would be prepared to compensate for the ensuing ecological damage.

## 7. GLOBALISATION AND LIBERALISATION

A third trend is globalisation and liberalisation. There is little doubt that globalisation has increased over recent years, and the trend is likely to continue as modern technologies are making this possible. Emerging economies in Asia and South America will play a leading

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<sup>15</sup> According to a report from the US research organisation IFDC, erosion threatens to reduce harvests in Africa by 17% to 30% in next 15 years, as reported by *the Volkskrant* on 30 March 2006

<sup>16</sup> OECD. *Water and Agriculture: Sustainability, Markets and Policies* (Oct. 2006). Recommendations include more market-based solutions to increase resource efficiency and reduce pollution. These solutions include water pricing and trading, while nutrient trading is an option for cutting the level of nutrient pollutants in water. Increasing the participation of farmers, industry and community groups in designing and delivering integrated water management policies and actions.

role in markets of labour-intensive agricultural and industrial products and raw commodities. Europe is bound to feel the consequences, as it already does, with, for instance, clothes, shoes and poultry meat, and this is just the beginning. It will also happen in areas where our country is a prominent player, such as floriculture.

Globalisation and liberalisation go hand in hand. The question of whether liberalisation is deemed desirable is, in my opinion, less relevant than the question of whether it is at all possible to stem the tide. It is more relevant, I believe, to consider the manner, pace and conditions employed to realise liberalisation and market access, including access to the European market, so that there is sufficient time for adaptation, phasing out and development to take place in an orderly fashion. And the question of whether globalisation and liberalisation can be supported by new, institutional capacity at international level is even more relevant. Studies have revealed that without this support the industrialised countries would benefit from the positive effects, instead of the poorest countries where it is most needed. That is why we should also guarantee institutional support for the market processes taking place at international level as we do for our own liberal market economy at the national and European level. At international level too, where markets do not work as they should, governments should intervene and control. This is true for competition policy as well as for our own economies in areas like the environment, health and safety, working conditions and animal welfare. So if it happens here, why not at international level? Why is international intervention seen as trade distortion and not as a corrective measure for a failing market? In other words, why not internalise the negative external effects of private economic acts and really work towards the best possible prosperity? In global integration processes accompanied by trade liberalisation or the abolishment of national rules, new rules and institutes are set up to correct market failings, and monitor the public interest. Freedom and responsibility cannot be divorced in this context either.

In this context it is important not to lose sight of the major geopolitical shifts taking place before our very eyes. Five years ago it would have been inconceivable that after the Cold War the United States would be attacked on its own territory but it did happen on September 11, 2001. It would have been unthinkable that Russia, fifteen years after the Soviet Union fell apart, would become



# Globalisation and liberalisation go hand in hand

influential and rich again: its gigantic natural resources and the soaring prices of fossil fuels have placed Moscow in a powerful position once more. And who could have foreseen that the two countries that stood at the cradle of the European Union, France and the Netherlands, would reject what came to be known as the Union's Constitution? It did happen, though, to everyone's surprise and the bafflement of many. And finally, could we have predicted that China's economy would grow so fast that the capital superfluous to its domestic economy would be invested in countries all over the world with the accompanying influence this gives rise to?

I believe that the emergence of the new economic superpowers in Asia and the developments in Central and South America will have their impact on the global trade agenda; people in those countries have a different view of the liberal ideology of free trade from people in western countries<sup>17</sup>. But here too the belief in neoclassical liberalism is waning and people are seeking a fuller and more open concept of

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<sup>17</sup> The results of the recent elections for the US House of Representatives will probably calm the strong wind of trade liberalisation from the west. Concerns for domestic jobs, the disappearance of industries and the relocation of businesses to other parts of the world is an issue that is also becoming more relevant in Europe.



freedom.<sup>18</sup> Liberalism does not automatically lead to the realisation of the values desired by society. What I see is that people in society are increasingly placing value on quality, the quality of food and the quality of food production. Food quality and the intrinsic value of food increasingly determine the quality of our lives; preferences are increasingly fanning out in all directions, they are getting more diverse and more unpredictable. One moment a good glass of wine and a delicious meal and a fast food snack, the next.<sup>19</sup>

There is another important aspect linked to issues of food - food quality in relation to public and animal health. Obesity and its health consequences is an example of a growing problem that places a substantial financial burden on society. The same is true for animal health, raw commodities from all over the world, mixed into animal feed, may on account of the wrong composition, inferior raw materials and migrating pathogens, pose a threat to both public and animal health. Stringent quality requirements and adequate enforcement throughout the production and marketing chain are therefore imperative and requires substantial outlays.

One thing is clear: the concept of quality (which traditionally referred to a product's physical characteristics) is being re-defined and fleshed out. In addition to a product's characteristics - whether it is nourishing, tasty, wholesome - there is a growing interest in production methods: the use of pesticides, aspects of animal welfare, manufacture, the use of additives, and so on. The story behind a product increasingly becomes a matter for consideration for the consumer. It is translated into market demand and entrepreneurs with a vision respond to this.

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<sup>18</sup> The results of the Parliamentary elections in the Netherlands of 22 November 2006 suggest that people are seeking connection and a stronger sense of community. See also the results of a study carried out in 2002 by RIVM and SCP, which identified this same trend, as Evelien Tonkens argued in *de Volkskrant* of 29 November 2006. I would also refer to three articles in *Die Zeit* of 9 March 2006 about the new sense of community and to various other publications by G. van den Brink (in *Trouw* of 11 March 2006, for instance). I gave my vision in the Kloosterkerk lecture of 14 March 2006 entitled *Ik en de Anderen - tussen individualisme en overgave* (I and the Others - between individualism and surrender)

<sup>19</sup> See also Louise O. Fresco, op.cit, p. 106 ff

## **8. REGIONAL DEVELOPMENT, A LIVING COUNTRYSIDE AND ANIMAL WELFARE**

This brings me to the fourth and final trend I would like to address: the greater value people place on the conservation and strengthening of regional identity, on an attractive and living countryside and on animal welfare. A trend I would like to summarise as care for the quality of life.<sup>20</sup> The widely felt need to be in touch with the authentic, peaceful and familiar countryside forms a counterpoint to the hectic life in an urban environment. It is the need for relaxation, for experiencing nature, space, simplicity and for the source of life. These needs are growing and are to a large extent determined by levels of prosperity. If I am not mistaken, the re-evaluation of the countryside, a trend that is most prominent around strongly urbanised regions, will continue. I expect that interest in the countryside and what is going on there in terms of nature conservation and rural development will grow, not only in densely populated regions but will spread to regions beyond. The car as a symbol of the freedom to move around and the bicycle as a means of recreation are closely related to this.

Care for the quality of life is not restricted to human life; it increasingly includes animal life as well. When a couple of years ago, I remarked before a gathering of parliamentarians from several Member States that after the emancipation of workers and women we were now on the eve of the emancipation of animals, I was greeted with howls of derision from some. But who, in our country would dare to deny that the care for animals is not a topical and emotive theme?<sup>21</sup> And this trend will continue: Didn't Kant and later Gandhi say that the greatness of a nation and its moral progress can be judged by the way its animals are treated? The challenge is to link this to consumer purchasing behaviour. Transparency and cooperation in the production and marketing chain are vital here. Enforcement with its associated costs is part and parcel of this.

## **9. A FUTURE FOR AGRICULTURE**

The comments I have made are only intended to illustrate the huge dynamics of global developments. And in this maelstrom of events the European Union and its individual Member States should reconsider and redefine their position. What does all this mean for Europe? The

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<sup>20</sup> University of Wageningen has understood this and took 'for quality of life' as their motto.

<sup>21</sup> At the recent parliamentary elections in November 2006 a newly created Animal Rights Party won two seats, which is a first in Dutch parliamentary history.

shifting of climatic zones and the scarcity of water that will affect many parts of the world will change conditions in many farming regions. The demand for food and other agricultural products will simultaneously change dramatically over the coming decades and agriculture will have to realise the fuller concept of quality.

Following on from what Mr Zacheriasse, former director of the Agricultural Economics Research Institute, said, I would like to consider these issues at a higher level of abstraction.<sup>22</sup> At this level it comes down to finding new balances in the triangle formed by people, profit and planet. The widely used concept of sustainability is sometimes unjustly reduced to the balancing of profit and planet or profit and people. But the essence of the issue is finding a new point of gravity in the triangle born from the new realities and priorities in society. Particularly the priorities based on the values we wish to respect and found our actions on. Therefore the issue is not merely a technical one, a matter of finding a way to extend our triangle, but also involves a moral choice: what do we wish to emphasise? For the technical side of the issue the development and application of knowledge is vital. I believe that in future agriculture will increasingly be a knowledge-based sector.

Farmers will have to deal in a more efficient way with raw materials, soil, water and air and will continually have to meet society's requirements for animal welfare, landscape and food quality. Europe is also in a position to be a leading player in the global food market of the future; our highly developed farming sector can benefit from the old economic law of comparative advantage. I see great opportunities for the further development of sustainable, socially responsible agricultural entrepreneurship. I also believe that from the perspective of freedom and justice, Europe has the duty to contribute to feeding the hungry of this world. The world cannot do without Europe's highly productive farmland area. It is no longer just a matter of Europe's need for self-sufficiency, it is also a matter of solidarity with the poorest in the world. This is the moral side of European agriculture.

Innovation and developments in technology can make substantial contributions towards resolving the problems I referred to. And it is

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<sup>22</sup> Professor L.C. Zachariasse in his valedictory speech on leaving the Agricultural Economics Research Institute at the University of Wageningen (24 November 2005): '*... en welvaart 's landmans werk bekroont ...*'

here, in Europe, where the opportunities lie. Not only traditional technological innovation, but biotechnology in its various forms also opens up interesting and promising perspectives. I need not go into them here but I would like to point to the other side of the technological breakthroughs: the social concern that is evident throughout Europe for the long-term consequences the implementation of these technologies may have on biodiversity and natural ecosystems. There is also the ethical issue about the extent to which boundaries are being crossed. The co-existence debate on the simultaneous and neighbourly existence of genetically modified, conventional and organic crops, is a case in point. EU countries have different ideas on how to deal with co-existence: Germany wants regulation, the Netherlands prefers covenants.

The opportunities provided by the new technologies may be promising but some, like modern biotechnology, also give rise to new dilemmas. The challenge lies in overcoming these dilemmas for the sake of global needs, particularly in areas like food, and the environment, and deal with them wisely. I expect modern technology will increasingly become part of our lives, even if the scope and manner of their implementation will differ according to region. There is also a difference in the degree to which these new technologies find acceptance: they are more readily accepted for bio-energy and medical purposes than they are for food. Transparency by labelling products is necessary to allow consumers to make an informed choice. But here too, enforcement and controls are equally necessary and will bring more costs to society.

How does all this affect our European agriculture and rural development policy? I believe it is crucial that our policies meet the demands of society. When the CAP was designed in the 1960s the focus was on production volume to ensure our own food supplies and savings on foreign exchange. As time moved on, we have successfully shaped and adapted our common agricultural policy to meet the circumstances and needs of the times. The development of a 'second pillar' of rural development policy, and the reforms in the past ten to fifteen years demonstrate this. But also the recent enlargement of the EU with 10 new Member States from central and eastern Europe which at once tripled the number of European farmers from 5 to 15 million and greatly increased the various stages of agricultural development in the Union and the variety in landscapes and biodiversity. The CAP has effortlessly adapted to this expansion.



# ‘targeted payments’

As I said earlier, the playing field will expand even further in the decades to come. The demands from society that have to be met by agriculture and rural development policy have, in my view, three dimensions. Our policies should be linked to market demand but also to the demands of the rural area and of society as a whole. The concepts of freedom and justice should be given a place in all this. This implies that Europe should assume its responsibility to meet the global demand for food, to conserve biodiversity throughout the world and to protect the quality of nature and landscape in its rural areas. These collective values come under the remit of governments in 2007 as well as in 2020. Governments will have to gear their policy instruments and budgets to them: targeted payments is the key concept here. Obviously, a transition period is necessary to gradually move away from income aid to allow farmers to adapt.

I believe that a new common policy for the development of agriculture and the rural area in the Europe of 27 Member States is not only necessary and will help to preserve the quality of life of the people of the European Union, but will also serve to renew and strengthen European thinking and further underpin its moral principles. In that sense, I would also include the challenge laid down by the British historian Judt in his assertion that Europe has become socially fragile<sup>23</sup>. Judt attributes the loss of European spirit among the public in the first place to the fact that they no longer feel an affinity with

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<sup>23</sup> See “*Postwar: A History of Europe Since 1945*”, Penguin Press, 2005, especially part IV relating to the disappearance of the historical context and public ignorance of European unification and European institutions.

the fundamental passion of the founders of the Community and to the general lack of historical awareness among many people of the post-1960 generation. He also refers, to my mind quite rightly, to the complete absorption into the European Union of the old eastern European satellite states of the Soviet Union.

I have referred briefly to the EU's enormous expansion over the years. This brought with it a tremendous growth in diversity in many aspects of European life. Any future agricultural and rural development policy will have to fully accommodate this diversity. It was only natural that the original basis for European integration, after all the terrible experiences of its recent history and the threats posed by the Cold War, was the principle of freedom in restraint.<sup>24</sup> Now, more than 15 years after the fall of the Wall, the principle has to be freedom in unity. That was also the basis for its growth to the east, to those countries which, against their will, had for decades been repressed and shut off from the European Community. Their right to join the Union is unquestioned. It is exactly through their new alliance with the EU that they have obtained the freedom and justice that they, and we too, have so long wished for. In the same way that by joining the EU the southern European states obtained the freedom to secure their young democracies and develop further, the new Member States can, in their turn, tread the same path to development.

But many people are unsure about European integration, and this uncertainty is strengthened by the global developments I have already mentioned. In the next part of this essay I will attempt to outline new common policy for the European rural area. I see freedom in unity and justice as important anchors of this policy. In concrete terms I mean that we need to evaluate future agricultural and rural development policy in the light of the role and division of responsibility between the Union and Member States. From the position of our common collective values we need to determine what contribution will be asked from everyone in order to realise this.

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<sup>24</sup> Freely adapted from Professor L.C. Zachariasse, formerly director of the Agricultural Economics Research Institute at the University of Wageningen

## 10. BASIS FOR THE GOOD LIFE

Agriculture and the rural area as the basis for a good life in a united Europe. That is perhaps the best summary of what I mean to say. The good life in its pluralistic sense, that relates to justice and an open freedom that surpasses the material aspects of the good life. If my perception is correct, I believe that in the west there is a growing need for a revival of the spiritual life. The old existential question posed by Leo Tolstoj “What then can we do? How then should we live?” is one that many people today are struggling with. It is striking that where the standard of living is reaching new heights, people are not only questioning the distribution of wealth, but also the quality of their own existence. The Indian economist Depak Lal hits the mark when he says, “so at the end of its second millennium the West has come to a strange pass. Its unique and distinctive cosmological belief, individualism which as led to its great material prosperity, has finally triumphed in the material sphere”<sup>25</sup>.

The inner desire to rise beyond the material world is associated with widely prevailing feelings of insecurity. The need for rest and relaxation, clarity and certainty are recognisable symptoms of a hectic lifestyle turned in on itself. The desire for a greater sense of community, cooperation and connection with others; the search for ideals, the need to give meaning to one’s own existence in relation to others: these are all manifestations of the search for the ‘good life’. In this sense the values of justice and freedom are given new meaning. I

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<sup>25</sup> D.Lal, *Unintended consequences*. MIT Press, Cambridge Mass. 1998, p. 123.



Freedom in unity

am certain that this is an ongoing and continuing process. This has great significance for European cooperation in the coming years. Because, although it now seems that the fire of the early days has died out and scepticism about Europe prevails, I am convinced that the impulse for cooperation from the new Member States will be given a new élan, out of the realisation that the freedom and justice that they have so long done without, form the best basis for a sense of community. The French philosopher Gauchet argues that when we lose sight of the common good - that is, when our sense of community declines - democracy itself is at risk.<sup>26</sup>

Stability in such a diverse area with such a mixture of peoples and cultures can only survive if there is many people share a real sense of belonging. That is why the disparities in rights and standard of living, that, for example, are unavoidable for new Member States in the early stages of accession, cannot exist for long. The course set by the European Council and its associated financial frameworks to 2013 cover the period in which these disparities should be resolved as far as possible. But after that we see the dawning of an interesting new period which I would now like to examine and I will review the preparatory work still to be done in the preceding period.

### **11. SPACE FOR PRODUCTION OF FOOD AND RAW MATERIALS**

What will the function of the European rural area be in the coming years? I see four main functions for the rural area, which to some extent overlap. In the first place I see it as a production space to secure the production of high quality food and raw materials for food preparation, renewable raw materials and energy. Healthy primary production of these products, suited to local circumstances, linked to processing and marketing sectors supported by high quality technology is essential for the stability and welfare of Europe. In an unstable world, with often rapid shifts in the balance of power and economic positions, Europe should at least attempt to avoid too great a dependence on other countries for the provision of its food. It is possible to imagine scenarios in which the strategic aspects of food security will play a greater role than we ever could have dreamt of. In this context, the question of whether some form of border protection for the most important products should be maintained for reasons of

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<sup>26</sup> M. Gauchet, *La religion dans la démocratie*, Paris Gallimard, 1998.

internal stability, for instance to prevent disasters, should be answered in the affirmative.

To meet the extent and type of needs a combination of activities and different sorts of processes are necessary. This will result in the emergence of a large number of 'new mixed farms', combining plant and animal production and geared to energy efficiency. Europe's high level of knowledge and technology will make it possible to develop totally new combinations of businesses and processes.

This whole process is primarily market-driven. The role of the government, whether at national or European level, will be to lay down the conditions, facilitate and forge links. The government will place limits on developments based on its public duty of care, for instance regarding the environment and animal welfare. It will also enforce the quality conditions, perhaps by supervising private systems to control the sector and services, both during production and on import and export. If, as I expect, quality will be the defining element for entrepreneurs who wish to hold their own in the market, then the government's role is primarily one of facilitating, by supporting knowledge development and dissemination and supporting entrepreneurship with education and research and by creating a favourable business climate for entrepreneurs and innovative developments, and by allowing scope for experiment and robust legislation and limiting the administrative burden. Its linking role lies in helping private parties to find collaborations either with other private parties or with the government, and also in removing obstacles, as well as in the development of private and public projects with the government becoming one of the risk-takers.

This development will be concentrated in those regions and in those businesses which have the most suitable conditions. Market forces will be decisive and the government's role is aimed at promotion, setting frameworks and protecting the collective values. There can be no basic justification for supporting the incomes of primary producers. As the situation in 2013 from a political point of view will not lead to a complete abolition of income support, it is more sensible that some form of dismantling scenario, perhaps in the form of bonds, will be developed. But I believe that any dismantling scenario would be limited in size and expensive. The first phase of the Common Agricultural Policy was partly aimed at discouraging over-hasty

migration from the countryside to the city. This issue is still current in the new Member States and it is therefore important to pay special attention to it.

## **12. SPACE FOR PRODUCTION FOR COLLECTIVE AND SEMI-COLLECTIVE PRODUCTS**

In the second place I see the rural area as production space for collective or semi-collective goods and services. These would include the stewardship of nature and landscape values. Intrinsic values that merit the care of public or private bodies to be secured for the future. We are only stewards of these values. They enjoy protection on the basis of international treaties or because of their wider significance for welfare in general. I refer for instance to health, clean air, and not least to fixing of CO<sub>2</sub>. They are values that form part of a cultural heritage of which we can be proud and are often significant for the identity of specific regions or communities. In that sense they are useful public commodities which require collective involvement and an institution-based structure. These are primarily interests that go beyond the interests of the individual Member States. A common approach will increase effectiveness.

The government's role here is clear. Particularly if regional, national effort and European effort is combined, this can contribute substantially to strengthening the links between region or Member State and the Union as a whole. Properly designing of these social values is doing justice on a European scale: what is vulnerable is protected and what belongs together is brought together at a supra-national level. Natura 2000 is a case in point. It is clear that private parties may have an important role in this process. The way these values are funded may not always be the same. But in most cases payment to land managers for the delivery of rural services to protect nature and landscape and for water management, will be the most suitable. Incidental incentives schemes may be possible to encourage desirable behaviour, for instance to encourage growing methods which fix CO<sub>2</sub>. In such a case the desired effect would naturally be conditional on a European approach.

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<sup>25</sup> Vgl. M. Gauchet. *La religion dans la démocratie*, Paris, 1998.

### 13. LIMITS TO PRODUCTION SPACE

The third function of the rural area can be found at the point where the two previous functions meet, that is the production of food and renewable raw materials in regions or under production conditions that are not optimal because of natural circumstances such as type of soil or lack of water, or because of restrictions imposed to protect other values or interests such as nature or valuable man-made landscapes. Within the Union this will in practice involve sizeable areas with very diverse limitations. This is the category for which it is most difficult to decide what is “just”, to decide to what extent and in which form public funds can legitimately be used and to provide this effort with durable public support.

Legitimation of the public contribution derives from the public interest associated with continuing these production activities, that is if they contribute to the production of social values, such as preservation of characteristic, valuable landscape, keeping communities viable, or combining agricultural activities with nature conservation or development. One important precondition is that this does not involve constructing a large central bureaucratic control mechanism. Local and regional co-financing is the best guarantee for proper behaviour and quality control by those people directly involved and close vicinity of co-financiers. I believe that there must also be some combination of regional and European funds, in other words co-financing. The extent of co-financing should be based on the extent of European interest, aimed at a longer period through contracts with the entrepreneurs involved and based on a reasonable payment in the form of income support. This also strengthens the link between farmers, regions, Member States and the Union. A mechanism to determine a “just” amount for income support, decoupled of course from production, could take the form of an auction, based on scientifically developed methodology<sup>27</sup> and practical experience.

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<sup>27</sup> According to the doctoral research of former Agricultural Economics Research Institute employee Carel van der Hamsvoort: *The allocation of scarce resources in miscellaneous cases*. Wageningen, 2006. Quoted by Th. v.d. Klundert. *De onverbiddelijke dynamiek van het kapitalisme*. KUB, 2001, p.37

# The rural area as 'consumer space'

## 14. THE RURAL AREA AS CONSUMER SPACE

The second and third functions I have identified have gained in importance and will continue to do so, because of the umbrella function of the rural area as consumer space for a busy population with little time to spare. I would like to point out the potential of the rural area to provide city-dwellers a taste of the good life; to experience peace and space and a feeling of freedom. Freedom that Van der Wal earlier referred to as open freedom: meaning a different level of quality that involves not simply being undisturbed by other people, but indeed involves participating in the whole. It means being able to participate in the experience of becoming one with the universe, and experiencing the deeper meaning of existence in the enjoyment of nature. Enjoying authentic, regional products. To feel that you are taking part, even for a moment, in another life. To experience the feeling of the authenticity of the rich, uncomplicated thinking of the carefree country-dweller. Relaxation in the enjoyment of peace and wonder for the unknown, to co-exist with other living beings. Or enjoying the sensual refreshment and deepening spiritual experience in the midst of others: nature, that fascinating world around us. The world outside us that for centuries has been the source of inspiration for writers, painters, poets, musicians and scientists; and becoming a citizen and participant of that world again.

I believe that the importance of this function of the rural area will grow. The European economy will change considerably in the direction of services, knowledge and leisure economy. This will demand a lot of



thought and the ability to withstand competitive pressure. Life is getting faster; as demonstrated by people who experience burn-out at an early age, and those who want to take early retirement. These are the characteristics of the changes outlined in our economic and social life. In addition there are groups in society that feel excluded, or under threat of social exclusion. Urban issues are increasing. The necessity of exercise to reduce health problems is obvious. The rural area as consumer space for relaxation, recreation and leisure experience offers many opportunities for rural entrepreneurs. A broad range of activities, whether or not farming, give rise to what is known as diversification or multifunctional agriculture. A new meaning can be given to farming life by taking on care services at the farm, to help give life more meaning to people with a handicap.

I see it as the government's role to facilitate this process and draw up its framework. The suitable regulation and scope for manoeuvre has to be developed primarily at local level. European authorities, having placed support for broad rural development in the second pillar, and planning to expand this, should concentrate on supporting those entrepreneurs who are willing to provide this sort of service, perhaps with limited co-financing schemes, in order to supplement income not provided by the market.

Discussions on how the future common agricultural and rural development policy should be designed are often reasoned on the basis of the budget or WTO ambitions and rules. I would make a plea for an approach that has at its heart the functions of the rural area and the significance of the rural area for the people of Europe. I feel that this is the only sound principle for a meaningful debate on the development of common policy in these areas. In the same way that in the 1950s coal and steel, food security and saving dollars were the main elements of the economy and European cooperation, now, in addition to food, there are other scarce resources like landscape, nature, water and space for recreation, that make the rural area a cohesive social factor, and could be a base for the further development of European cooperation in the future.

This view highlights the need for a changing role for government: now and in the future this will no longer involve supporting production, but supporting development in various directions. That will also demand a fundamental reflection on the relationship between

Member States and the Union: the region, rural inhabitants and entrepreneurs are the drivers of development. The government will create scope where possible and provide support where necessary. It is an opportunity to subject the subsidiarity principle and the proportionality principle to critical review and perhaps adapt the co-financing system to it. Would it not be more sensible, reasoning from the perspective of the four future rural area functions outlined above, for the EU to co-finance national agricultural and rural area policy, instead of the other way around, as is now the case? If the visions discussed above are followed, the existing funding mechanisms such as the distinction between the first and second pillars should be reviewed.

### **15. WHAT IS TO BE DONE?**

But what about the interim period, between now and 2013? How can we prepare for these developments? I think that in the first place Europe should reach a common vision of where the future challenges lie. We have to agree on this, and only then will we have a sound base for the new road to be taken, and only then can other choices be made. This will involve the growing realisation that the old policy will gradually die down; as illustrated by the current discussions on milk quotas. Government must be in the vanguard of these discussions, provide clarity and where necessary over the coming years from 2009 to 2013 develop policy to ease the transfer to a new situation. An important aspect of this is identifying where bottlenecks may occur: which areas will come under pressure, which sectors will face difficulties? It is about encouraging desirable developments and combating undesirable ones. Entrepreneurs and society must be given the time and space to adapt to new situations. So we have to choose a gradual, but at the same time absolutely clear direction for this development. Europe's further growth to communality can only be given form from the power of people seeking a sense of community. I expect that in the coming years the tide will turn in the right direction: the sense of community will grow from the recovery of citizenship. Being a whole person will mean being free to unite with others and bring justice into being.

This will require much wisdom and thinking power from us all. In this essay I have attempted to make some contribution to the debate. I hope

to be able to continue to do so in the future but from a different position than that of Minister. I would like to close by returning to Goethe: the first and last stanza of his 1783 poem let “Das Göttliche” serve as inspiration to our work.

*Edel sei der Mensch,  
Hülfreich und gut!  
Denn das allein  
Unterscheidet ihn  
Von allen Wesen,  
Die wir kennen.*

*Der edle Mensch  
Sei Hülfreich und gut!  
Unermüdet schaff er  
Das Nützliche, Rechte,  
Sei uns ein Vorbild  
Jener geahneten Wesen!*





