

THE NEW UPDATES ON THE EUROPEAN COMMON AGRICULTURAL POLICY AND THEIR IMPACT ON THE RURAL DEVELOPMENT INVESTMENTS

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Two worldwide processes are putting pressure more and more on the rural development policy at the international level lately. First of all, the trends in climate change and the competition between agriculture and other sectors for the natural resources exacerbate competition and conflicts over access to land, water and biological resources and accentuate extreme poverty and hunger. Second, the rural policy will continue to play a vital role in helping all the countries to achieve the wider objectives of sustainable growth, job creation and competitiveness. This research is based on the news adjustments of the European Common Agricultural Policy -CAP - face to mitigate the effects of the new process: the rising global food prices. In brief, the news updates on the rural development policy are all about freeing the farmers to meet growing demand and respond quickly to what the market is telling them. Therefore, this paper investigates and analyzes the financial impact of these news updates, because the rural development needs to be organized and financial encouraged. The quintessence: the rural development, particularly in the developing countries, needs to be accompanied by the allocation of legal rights and adequate and stronger financial resources to local stakeholders. The two developed economies created one American model and one European model for the rural development. For Romania, the problem is that the rural development policy should include action to flexible financial support, but also the foreign investments and transnational corporations, because these are very important in the market economy.

Key words: rural development, CAP, structural funds, foreign investments

The rural development is a major component of the macro economy for all the categories of the countries: developed or developing, because many rural areas should face major economic, social and environmental problems.

Over much of the globe, rural poverty is much worse than in the United States. Findings by the International Fund for Agricultural Development show that 1.2 billion of the world's people live on less than what a dollar a day can buy. Globally, three-fourths of these poor people live in rural areas [7].

Now, two worldwide processes are putting pressure more and more on the rural development policy at the international level lately [6].

First of all, the trends in climate change and the competition between agriculture and other sectors for the natural resources exacerbate competition and conflicts over access to land, water and biological resources and accentuate extreme poverty and hunger.

Second, the rural policy will continue to play a vital role in helping all the countries to achieve the wider objectives of sustainable growth, job creation and competitiveness.

Moreover, all these processes are very important because for the first time in human history, beginning at 2007, the earth's population has been more urban than rural and the cities must depend on rural resources. „But given global rural impoverishment, the rural-urban question for the future is not just what rural people and places can do for the world's new urban majority“[7].

The idea is that the rural development needs to be organized and financial encouraged, and near the foreign investment and transnational corporations, the strategies for agrarian reform and rural development should include action to other financial support.

The North American and European Union rural regions have experienced remarkable changes in the last time and they created one American model and one European model for the rural development financial support.

This paper underlines that the development rural, particularly in the developing countries, needs to be accompanied by the new reform regarding the allocation of legal rights and adequate and stronger financial resources to local stakeholders to enable meaningful governance and poverty alleviation.

MATERIAL AND METHOD

The two developed economic regions have created two models for the rural development: one American model [12] and one European model [11].

This research is based on the news adjustments of the European Common Agricultural Policy -CAP - face to mitigate the effects of the new process: the rising global food prices [8].

At 05/20/2008, the European Commission proposed to further modernize, simplify and streamline the Common Agricultural Policy and remove remaining restrictions on farmers to help them respond to growing demand for food. The so-called CAP Health Check [9] will further break the link between direct payments and production and thus allow farmers to follow market signals to the greatest possible extent.

With over 56 % of the population in the 27 Member States of the European Union (EU) living in rural areas, which cover 91 % of the territory, rural development is a vitally important policy area.

First consideration is that farming and forestry remain crucial for land use and the management of natural resources in the EU's rural areas, and as a platform for economic diversification in rural communities. The strengthening of EU rural development policy is, therefore, an overall EU priority.

Therefore, this paper investigates and analyzes the financial impact of these news updates, because the rural development needs to be organized and financial encouraged.

In brief, the news updates on the rural development policy are all about freeing the farmers to meet growing demand and respond quickly to what the market is telling them [7].

First of all, the paper analyses the three-pronged policy response proposed by the European Commission today and this policy consists of the following measures:

- Short-term: the Health Check of the Common Agricultural Policy;
- Longer-term: initiatives to enhance agricultural supply and ensure food security;
- Initiatives to contribute to the global effort to tackle the effects of price rises on poor populations.

Secondly, the European Commission has proposed modifications of three main areas very important for the Romanian rural development:

- Direct aid system;
- Market instruments;
- Rural development policy.

Generally, the Commission will continue to actively monitor the situation and to adapt policies to take the new circumstances into account.

For Romania, the problem is that the rural development policy should include actions in order to get flexible financial support and also attract the foreign investments and transnational corporations, according with the new updates of the CAP [12].

RESULTS AND DISCUSSIONS

Theoretically, individual EU Member States could decide and operate completely independent rural development policies.

Practically, not all countries in the EU would be able to afford the policy which they needed and this is also the situation for Romania.

Moreover, many of the issues addressed through rural development policy do not divide up neatly at national or regional boundaries, but affect people further a field (for example, pollution crosses borders all too easily; and more generally, environmental sustainability has become a European and international concern).

Also, rural development policy has links to a number of other policies set at EU level.

Therefore, the EU has a common rural development policy, which nonetheless places considerable control in the hands of individual Member States and regions.

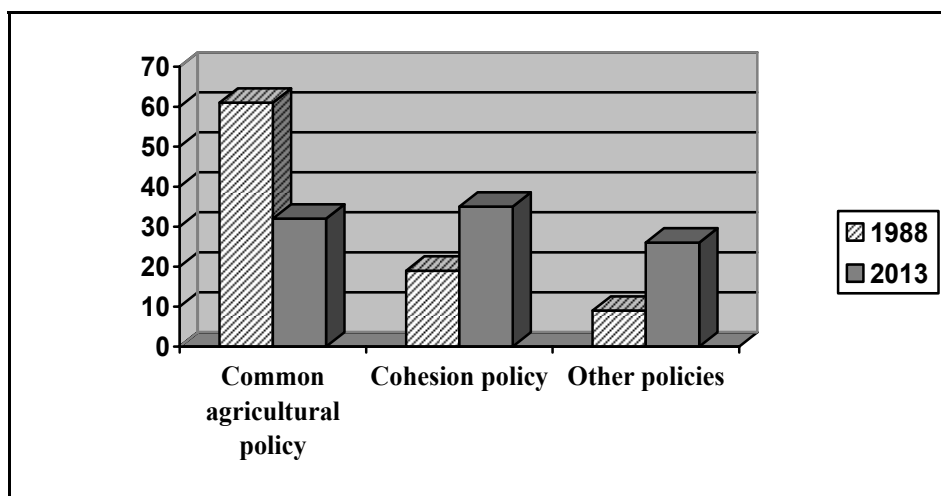
The policy is funded partly from the central EU budget and partly from individual Member States' national or regional budgets.

The Budget is a tool for changing priorities [10]. Overall, the CAP costs about €53 billion per year.

A new feature for 2007 to 2013 is a greater emphasis on coherent strategy for rural development across the EU as a whole. This is being achieved through the use of National Strategy Plans which must be based on EU Strategic Guidelines and Romania has designed this plan for the period 2007-2013 [13].

The EU spending policies for the period 2007-2013 put a new emphasis on the goals of growth and employment and on new policy directions such as freedom, security and justice (see figure 1). At the same time, the decision to undertake a review acknowledged that a more fundamental assessment is needed, to offer a

long-term context to inform proposals for the next financial framework and beyond. The challenge is to develop a budget for the future, anticipating tomorrow's challenges in a world of rapid change.



Source: European Commission *Reforming the Budget, Changing Europe a Public Consultation Paper in View of the 2008/2009, Budget Review*, 2008

Figure 1. **Expenditures structure - % from total (1988-2013)**

As well as the evolution of the budget from one financial framework to the next, there is also an issue of flexibility inside each financial framework. Whilst some spending programs benefit from continuity, changing political circumstances can also test the ability of the EU budget to adapt to best effect and to enhance political responsiveness.

The Health Check is all about freeing the farmers to meet growing demand and respond quickly to what the market is telling them. It also aims to simplify, streamline and modernize the CAP, but also give the farmers the tools and the new responsibilities to handle the new challenges they face.

At May 2008, the new adjustments of the CAP refer to followings [9]:

- Abolition of set-aside;
- Phasing out milk quotas;
- Decoupling of support;
- Moving away from historical payments;
- Extending SAPS (Single Area Payment Scheme);
- Cross Compliance;
- Assistance to sectors with special problems;
- Shifting money from direct aid to Rural Development;
- Intervention mechanisms;
- Payment limitations;
- Other measures (A series of small support schemes will be decoupled and shifted to the SPS).

Romania benefits about 20 billion euro from the structural funds, and a great part is designed to the rural development.

More than in other countries, in Romania, this approach should help to:

- identify the areas where the use of EU support for rural development adds the most value at EU level;
- make the link with the main EU priorities (for example, those set out under the Lisbon and Göteborg agendas);
- ensure consistency with other EU policies, in particular those for economic cohesion and the environment;
- assist the implementation of the new market-oriented CAP and the necessary restructuring it will entail in the old and new Member States.

CONCLUSIONS

Since 1992, however, the CAP has been reformed, meaning that farmers no longer make production choices based on subsidy but on market return. Once the latest reform is fully implemented, 90% of CAP payments will be direct aid to farmers – not linked to production but conditional on respect for environmental, food safety and animal welfare rules – and rural development assistance to rural dwellers.

Rural development policy is growing in importance in EU. These areas often lack jobs and infrastructure, and may also be environmentally fragile. Rural development funds, which will continue to grow, will be used to support job creation – in both agricultural and non-agricultural sectors, for example by funding information technology investment.

Overall, the CAP costs about €53 billion per year.

The European Commission proposed to further modernize, simplify and streamline the Common Agricultural Policy.

For Romania, the problem is that the rural development policy should include action to flexible financial support, but also the foreign investments and transnational corporations, as answers to two main questions:

- Have the EU budget and the national budget proved sufficiently responsive to changing needs?
- How should the right balance be found between the need for stability and the need for flexibility within multi-annual financial frameworks?

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