

External determinants of agricultural policy in the Czech Republic

Vnější determinanty zemědělské politiky v České republice

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Abstract: Formation of strategic development intentions of Czech agriculture is determined from a viewpoint of external factors by European integrating processes and strengthening tendencies of globalisation. This multi-dimensional process is a driving power and at the same time also an eliminating factor of many development trends. The sustainable dimension of globalisation is formed in the frame of the world society, world economics, world ecology and world policy. Problems of world agriculture are represented by the intersection of these trends and present a starting point for the formation of the European and Czech agricultural policy.

Key words: globalisation, European integration, agricultural policy, sustainable development

Abstrakt: Formování záměrů strategického rozvoje českého zemědělství je vymezeno z hlediska vnějších faktorů evropských integračních procesů a posílení tendencí globalizace. Tento vícerozměrný proces je hnací silou a prostředkem mnoha rozvojových trendů. Trvale udržitelná dimenze globalizace je utvářena v rámci světového společenství, světové ekonomiky, světové ekologie a světové politiky. Problematika světového zemědělství leží ve střetu těchto trendů a představuje východisko k formování evropské a české zemědělské politiky.

Klíčová slova: globalizace, evropská integrace, zemědělská politika, trvale udržitelný rozvoj

ECONOMIC-POLITICAL FRAME FOR FORMATION OF AGRARIAN POLICY

The traditional welfare economics theory creates a space for the use of political means of governments for the sake of the economic welfare maximisation. This theory issues from the fact that market failures can be adjusted by the means of public expenditures and state regulation.

This theory was highly criticised in past. If the theory of market failure is used to justify public regulations and tools, than there is a risk of omission of the so called “government failure”.

The theory of “public choice” was established as an independent theory of political decision-making process. Welfare economics is considered as a useful theory of economic system while the public choice theory is regarded as fertile in explanation of political system which can be used with a benefit for the CAP analysis.

At the microeconomic level, the analysis relates to the individual decisive factors in the market, i.e. producers and consumers. In the political system, the significant decisive factors are the politics (politicians and officials) and political partners (producers and consumers) with interest in political decisions. Politicians and officials offer political decisions while producers and consumers demand political decisions. All sides expect maximisation of their utility function, regardless whether the analysis regards producers (income, expansion), consumers (purchasing power and purchasing opportunities); politicians (re-election and state power), or bureaucrats (power base and career possibilities).

The balance between those who offer and require political decisions also depends on how strong the demand is and in which way this demand is divided among politicians, officials, producers and consumers. In any case, it is assumed that there exist many economic interests in a political system which try to form a coalition because different political decisions lead to different utilities and costs for different society groups.

A starting point of the presented model is an individual farmer producing agricultural products for consumers. Economic problems he faces bring him into contact with the deciding politicians. However, political decisions in agriculture accepted by politicians and officials influence the “macro” level of the society, it is the economic and political system. At the macro level, there exists a potential dynamics between agricultural sector and the economy as a whole on one side and the interests of member states and the traditional concept of common interests on the other side.

In the Figure 1, darts among boxes show the importance and the dominant structure of causal relationships.

PROCESS OF GLOBALISATION

Dynamic processes leading to the planetary dimensions of trade, finances, business and information flows are accompanied by the processes of “localisation”, i.e. fixation to certain territory. These two contradictory and simultaneously narrowly linked processes differentiate significantly living conditions of whole territories and populations and also of their parts. Therefore, an integral

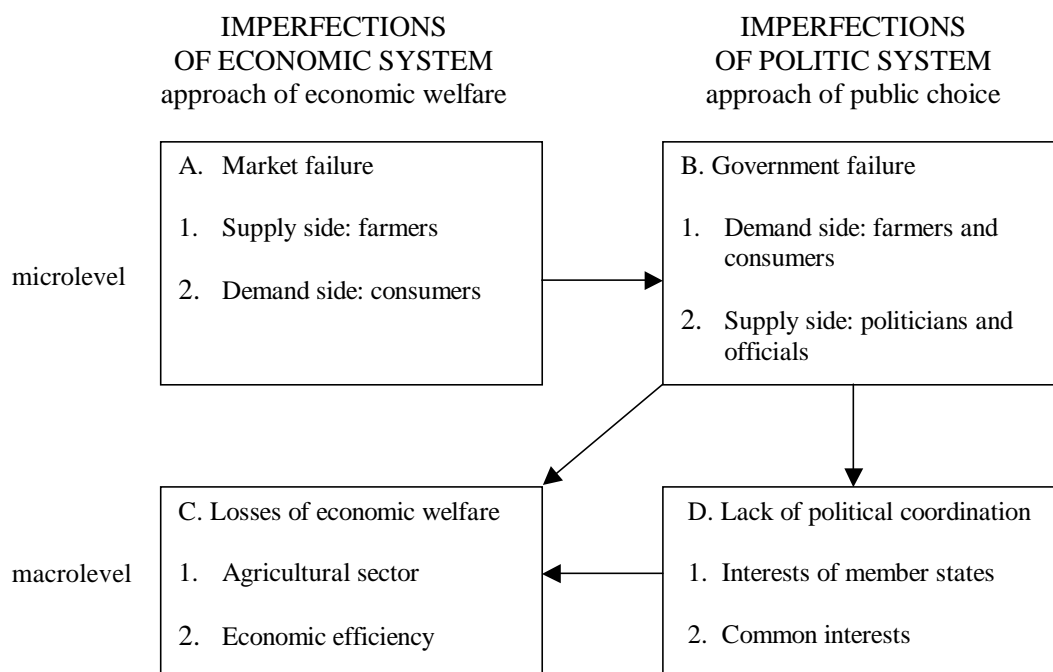


Figure 1. Model for agricultural policy analysis

part of globalisation process is the proceeding spatial segregation and separation. Heterogeneous dimensions of the present world polarisation are based in the character (freedom or limitation) of the flow of capital, labour, goods and services. The mentioned economic processes, in interaction with the political environment, take share in formation of so-called global problems.

A successful solution of the mankind global problems, which are connected with mutual interdependence of the individual world countries, requires application of a new international ethics. New approaches and values are formed, raising from the ethics of life connected with global environmental problems, from the development ethics in linkage to the unbearable differences between the rich and the poor, from the ethics of solidarity based on the necessity of co-operation among all people as a condition of survival. It is necessary to add that also the time factor has an ethic value because a delayed solution of global problems represents irreversible changes of fundamental consequences. An important contribution for searching for humane values in harmony with the sustainable way of life are the works of Vavroušek who laid stress especially on the inevitable change of value attitudes of the Euro-American civilisation in the relationship of man towards nature, to the society, to the sense of one's own life, to freedom and responsibility, to the level of human knowledge, to one's own life, to future generations, to public matters etc.

All this creates a complex frame for the phenomenon of the beginning millenium, i.e. globalisation influencing in the fundamental way the events of the whole planet Earth. The strategy of human civilisation development

will be determined by the course of the globalisation process. The formation of the position of agriculture in this process is its integral and non-dispensable part. A narrowed economic view of the role of agriculture in the global economy and the connected processes hides in it great dangers for the successful strategy of the human civilisation development.

CRITICAL CONNECTIONS OF GLOBALISATION

An integral part of the globalisation process is the proceeding spatial segregation, separation and elimination. Multiplex dimensions of the present polarisation find an expression in the freedom of movement (mobility) which gradually becomes a main stratification factor.

A significant critic of the insufficient institutional security of the proceeding globalisation of economy including the relevant decisive mechanisms is, among other, the successful representative of the world of global financial markets, George Soros.

Global economy is characterised by the free trade of goods, services and also capital. Global financial markets have a big influence on economic conditions. Capital is, in comparison with other factors, more mobile. Although the belief in free market, i.e. market fundamentalism, prevails, the principle of certain regulation is accepted and applied on the national level (the Central Bank, Anti-monopoly Office etc.). On the world level, the relevant financial authorities are missing. The development of global economy has not been accompanied by the development of global society yet. Global financial markets

are beyond the control of international institutions. The manifestations of the IMF were not successful in the past financial crisis.

There exists a contradiction between individual decision-making expressed by the market and collective decision-making expressed in the politics. We have global economy without the existence of global society. The world entered the period of deep imbalance. There practically do not exist institutions for creation of the rules and norms on the international level nor a mechanism of collective decision-makings for the global economy.

There is discussed the origin of a planetary executive power (the IMF, WB, OECD, WTO), i.e. an informal world rule which is neither elected nor controlled. It has no counterbalance in a parliament, political parties, justice, media etc. The influence of markets is such that it determines social and political events. The main driving power of globalisation is the motivation through profit and market economic efficiency. The opportunities and results of globalisation are divided unfairly and unequally. The power and wealth is concentrated in certain groups of people, countries or supranational communities. Free trade is still an important tool of the economic efficiency growth. The hypothesis of decreasing the differences in inequality of social groups and states has not been approved; just on the contrary, the differences among them have still more deepened.

AGRICULTURE AND FORMATION OF THE WTO

In connection with the transformation of the GATT (the General Agreement on Tariffs and Trade) to the WTO, it is useful to mention several basic characteristics:

- The WTO is an international organisation as well as the U.N.O. (The United Nations Organisation) and the World Bank. It was established on January 1, 1995 by the final resolution of the last GATT negotiations, which were only one of the agreements among the relevant states regarding customs and trade.
- The WTO is, since its establishment, based on three columns which are: the GATT, GATS and TRIPS. The GATT adjust, as before, the trade of goods and contains mainly the agreements against trade barriers as dumping and various forms of subsidies. The GATS (General Agreement on Trade and Services) applies for trade of services and includes, among other, the agreements on liberalisation of transport, telecommunications and financial services. The TRIPS (Trade Related Aspects of Intellectual Property Rights) is an agreement on the intellectual property protection. It contains, among other, the protection of patents and trade secret but also labelling of the selected products origin.
- Three principles of free trade taken over from the GATT are: granting of the highest advantages, national treatment and reciprocity. According to the highest advantages clause, a member of the WTO which granted it to one country, has to grant it also implicitly to other WTO members.
- The principle of national treatment consists in the fact that the foreign supply side must not be treated in a worse way than the national one, for example, more favourable taxation for home producers is forbidden. The principle of reciprocity means that a country which has already taken steps towards liberalisation is granted the same advantages by the other WTO states.
- The trade with agricultural products was excluded from 7 original GATT rounds (with one exception, the so-called Kennedy Round in 1964–1965) and only in opening of the so-called GATT Uruguay Round (1986), it was decided to include agrar trade, or to integrate it without limitations into the GATT rules. The Uruguay Round agreements in the agrar sphere, valid from July 1, 1995 for 6 years, consisted in:
 - Reduction of internal subsidies to agriculture by 20% up to the economic year 2000/2001
 - Decrease of the actual level of external protection expressed in fixed custom tariffs (so called tariff equivalents) by 36%.
 - Decrease of the subsidised export volume by 21% and of export subsidies by 36%.
 - Setting of the minimum market approach for agrar imports.
 - Adopting of the peace clause and special protective clause. The content of the peace clause consists in the fact that no unilateral trade-political measures may be undertaken against the WTO member states which keep their obligations on removing the internal and external subsidies up to the year 2003/2004. The special protective clause consists in the fact that, under certain conditions, protective import custom measures (additive customs) are admissible if there is a threat of market disturbances due to the excessive or cheap imports.
- During the hitherto GATT (WTO) negotiations on agriculture, a new expressions appeared: the green box, the blue box, and the yellow box:
 - *the green box* (allowed also without limitations) contains state agricultural supports which are not related to production and do not distort trade. These supports are not understood as a stimulation for production or for trade distortion. Therefore, they are excluded from the above mentioned obligations regarding reduction of supports and subsidies.
Examples: measures to adjust agrarian structures, compensatory payments for environmental services, compensatory payments for less favoured areas, state expenditures on research, education and extension, programs of income support, supports for sale and marketing, infrastructure programs, food aid, aid in the cases of natural disasters.
 - *the blue box* (allowed conditionally) contents state direct payments linked to production – area or number of animals – only if they are limited, i.e. they apply only to a limited number of animals or are linked only to limited areas and yields. They are indirectly liable for removal because they represent, together with the

measures of “the yellow box”, a base of the determined internal supports to be removed.

Examples: price compensation payments in the frame of the EU/Agenda 2000 reform and the “deficiency-payments” in the USA.

- *the yellow box or amber box* (necessary to remove) contents direct support tied through agrar prices to production. These measures are understood as market-distorting and therefore they should be removed preferentially.

Examples: price supports through market chains prices, custom duties.

- The supreme authority of the WTO is the Ministerial Conference. It should be held at least once in two years and is to decide about the principal questions and international agreements on the world trade of goods, services and intellectual property. Since its establishment in 1995, two ministerial conferences took place. The third conference opened on November 11, 1999 in Seattle (the USA) should have started the new (Millenium) multilateral round about the further trade liberalisation, in which it failed, however.
- The WTO General Council decides about daily (common) trading in the frame of the WTO (by a simple, two-third or three-fourth majority mostly according to the importance of the matter) in accord with the fundamental agreements of the WTO. To it, there serve also the Council for Trade of Goods, the Council for Trade of Services and the Council for Trade and Development, the Committee for Payment Balances and the Committee for Budgetary Matters. The management of the agenda of all WTO authorities is realised by the WTO Secretariat General headed by the Director-General who is elected by the Ministerial Conference . The seat of the General Secretariat with approximately 500 workers is in Geneva. In frame of the above mentioned generally appointed Committee for Trade and Development, various special committees are set, among others also the WTO Agricultural Committee.
- As well as the other committees, also the Agricultural Committee did not interrupt its activities and continued the agrar trade negotiations, and that in frame of the so-called special meetings in Geneva since March 20, 2000. According to its decision, the individual WTO member states should have presented their viewpoints and proposals for further agrar trade liberalisation including its relation to the questions which had been the core of disagreement in Seattle, by the end of the year 2000.

AGRICULTURE AND THE PROGRESS OF EUROPEAN INTEGRATION

Time schedule of negotiations regarding the chapter Agriculture has been the following:

- End of 1999 – the Luxembourg group of candidate countries proposes position documents
- June 2000 – starting of the negotiations regarding the chapter Agriculture (the common position of the EU to the requirements of the Luxembourg group)

- 1st half of 2001 – the reaction of the candidate countries
- 2nd half of 2001 – the EU (European Council) proposes a new common position for the preliminary closing of the chapter

- 1st half of 2002 – explanation of last open questions to the chapter Agriculture.

In a wider context, agrarian negotiations are in a fundamental way determined by the requirements of determined interest groups in relation to the European integration or to the world (agrarian) trade liberalisation.

Requirements of the accessing countries:

- general requirement of regular transition measures in market and price policy
- immediate compliance with the compensatory payments according to the agrar agreements of the Agenda 2000
- generosity in determination of production quotas etc.
- transitory measures in the area of animal protection, hygienic and phyto-sanitary measures
- special rules in partial aspects of individual market orders
- admission into the EU in the frame of the 1st aim of the structural policy (then area with high support intensity of the structural policy).

EU position on the base of the common document (6/2000)

- introduction of the “acquis” into the CAP before the admission, including the effective administration and control mechanisms
- introduction of the EU internal market simultaneously with the EU accession (removal of border controls)
- restrictive determination of production quotas issuing from the relevant production of the period 1995 – 1999
- requirements for further statistical information from the candidate countries
- re-negotiation of the politically sensitive questions (compensatory payments etc.)
- detachment of the EU finances for the EU enlargement preparation in the period 2000–2006: 1.56 bill. Euro (Phare – the area of administration, law, investment); 1.04 bill. Euro (structural policy – ISPA – support of infrastructure in transport and environment); 0.52 bill. Euro (SAPARD – the area of agrar policy and rural development).

SUSTAINABLE DEVELOPMENT – THE PREREQUISITE OF THE AGRAR SECTOR DEVELOPMENT

Sustainable development presupposes progressive changes of economy and society because the factual viability cannot be secured if the development intentions do not pay attention to the changes in approach to natural resources or changes in costs and revenues re-distribution.

In the principle of sustainable development, there is incorporated the interest for social justice among generations and it is logical that proper attention has to be paid

to this interest for social justice also inside each, i.e. also the present, generation.

It is obvious, that in the world where there exist areas of poverty and injustice, there exists also a considerable risk of ecological, economic, political, military and other crisis origination and therefore there do not exist the basic presumptions for a really sustainable development.

The world has to determine quickly strategies of the states transition from the present, often destructive growth and development processes to the way of sustainable development. It will demand changes of political approaches in all countries.

PRINCIPLES OF SUSTAINABLE DEVELOPMENT

The U.N. Conference on Environment and Development (UNCED) in Rio de Janeiro in 1992, named the "Summit of the Earth", drew conclusions that the only perspective way for mankind lies in the integration of social and economic development with respecting the environment. The content of basic documents from this conference, the "Agenda 21" and the "Declaration on Environment and Development" present the "instruction" for transition to sustainable development. The long-term efficiency of agrarian sector issues from fulfilling the sustainable development principles.

- (1) *Environment*: "Tolerable capacity" of environment presents the limits for many human activities. First of all, it is necessary to decrease the speed of resources consumption and pollution production.
- (2) *Future*: We have a moral duty to secure that the future generation could meet its needs in healthy environment. "We did not inherit the Earth from our fathers but we borrowed it from our children". Let us think of the long-term impacts of our decisions.
- (3) *Life quality*: Human welfare has a social, cultural, moral and intellectual dimensions as well as material ones.
- (4) *Equal opportunities and responsibilities*: Opportunities and responsibilities should be divided among individual countries and among different social groups with regard to the needs and rights of the poor and the disadvantaged because poverty is the threatening factor of sustainable development.
- (5) *Preliminary caution*: If we are not sure about ecological impacts of any action or activity, we should be very careful and avoid the possible risks.
- (6) *Holistic thinking*: In any decision-making, all factors concerning the given problem have to be taken into consideration. Decisions have to be based on the best possibility of using all available information and risk analyses. It has to consider the interests of all social groups.

RELATION OF AGRICULTURE, ENVIRONMENT AND ECONOMY

The former understanding of development was connected one-sidedly and narrowly with the economic

growth. The present complex concept of sustainable development issues from the concept of an economically viable, ecologically favourable, technologically possible and socially acceptable system.

An interdisciplinary character and integrating approaches belong among the basic attributes of sustainable development in agriculture. The basic characteristics of sustainable agriculture are:

- securing economically and socially acceptable incomes for farmers
- integration of agricultural farming systems with local ecosystems
- reduction of all inputs degrading environment and decreasing the quality of production
- widening of the scope of produced plants and diversification in livestock breeding
- application of soil-friendly technologies
- wider use of biological methods in increasing the production factors efficiency
- wider use of agricultural land for non-food purposes (orientation on renewable raw-material and energetic resources)
- orientation and support of science, research, technologies, education, marketing in the above mentioned directions.

Non-substitutable place in the mentioned context is taken by environmental economics, the main point of which lies in the evaluation of production and consumption impacts on environment. Environment services are used without a relevant refunding and therefore also excessively with regard to the non-existence of a relevant market. The key position in this connection belongs to externalities and public goods.

CONCLUSION

There exists a contradiction between individual decision-making expressed by market and collective decision-making expressed in politics. The global economy works without the existence of global society. The market influence is so dominant that it determines social and political events. The decisive power of globalisation is the motivation through profit. Free market is still a significant tool of economic efficiency. The hypothesis of the benefit of globalisation regarding the reduction of differences in the economic and life level of individual states and social groups has not been proved; just on the contrary, the further growth of the differences occurred.

A still more intensive discussion about the informal world rule (the IMF, WB, OECD, WTO and so on) which is neither controlled nor has a counterbalance in parliament, political parties, justice and goes on. The actual development implies the necessity of a global political agenda expressed in ten theses. The development strategy of human civilisation will be determined by the course of globalisation process.

Forming of the position of agriculture in its frame represents an integral and entirely unavoidable part. A nar-

rowed economic view on the role of agriculture in global economy and the connected processes is principally very critical for the successful strategy of the human civilisation development. Formation of market environment by regulation measures on the national and world level respecting the principles of sustainable development is a prerequisite of the formation of effective agrar sector which would secure the obligation of the World Food Conference (1996), about securing an adequate nourishment for all inhabitants of the Earth. It is necessary to take that into consideration when forming the Czech (European) agrarian policy.

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