

## Transcription of the interview with Georges Rencki (Tervuren, 23 November 2009)

**Caption:** Transcription of the interview with Georges Rencki, deputy Director in the Private Office of Sicco Mansholt, Vice-President of the European Commission responsible for the common agricultural policy from 1958 to 1959, Head of Division responsible for relations with agricultural, industrial and food trade organisations as well as with the trade union sector in the Directorate-General for Agriculture of the European Commission from 1959 to 1968, Head of Division responsible for the policy to modernise agricultural structures as well as for direct aid for agriculture in less-favoured and mountain areas in the Directorate-General for Agriculture of the European Commission from 1968 to 1977, Director responsible for coordinating national policies, studies and analyses in the Directorate-General for Regional Policy from 1977 to 1988, Director responsible for the formulation and implementation of regional policies and the negotiations on reform of the Structural Funds in the Directorate-General for Regional Policy from 1989 to 1991, Special adviser to the European Commission on Regional Policy reform and adviser to four Polish Prime Ministers on European Affairs (19932001), carried out by the Centre Virtuel de la Connaissance sur l'Europe (CVCE) on 23 November 2009 at his home in Tervuren. The interview was conducted by Christian Lekl, a Scientific Collaborator at the CVCE, and particularly focuses on the following subjects: preparations for the common agricultural policy, the introduction and early days of the common agricultural policy, the interaction between common agricultural policy and regional policy, the reforms of the common agricultural policy and the enlargement of the EU to 27.

**Source:** Interview de Georges Rencki / GEORGES RENCKI, Christian Lekl, prise de vue : Alexandre Germain.- Tervuren: CVCE [Prod.], 23.11.2009. CVCE, Sanem. - VIDEO (01:31:53, Couleur, Son original).

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**Last updated:** 08/12/2016

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### 1. Preparations for the common agricultural policy

**[Christian Lekl]** Mr Rencki, thank you very much for agreeing to give us this interview during which we will look at the milestones of your professional career and, in particular, address issues relating to the common agricultural policy and regional policy. In 1958, you joined the Commission in Sicco Mansholt's Private Office. How were officials recruited in those days?

**[Georges Rencki]** I was playing an active part in European affairs long before I joined the European Commission, since at the end of the war, during which I was a member of the Resistance, when I came out of the camp in Germany, I met other, older Resistance members — I was very young at the time, a student in fact — such as Henri Frenay, Henri Brugmans, Denis de Rougemont and André Philip, who were all in the Resistance and all became federalists and who, at the time, were considering what kind of structure would be best to guarantee peace in Europe. I had been a leader of the European Youth Organisation for quite a long time, and then my first job was at the international secretariat of the European Movement. In fact, that is where I met Mansholt, who suggested I should join his Private Office in 1958; Robert Schuman, who was President of the European Movement at the time, had also recommended me to Mansholt. So I started out as Deputy Director in Mansholt's Private Office.

**[Christian Lekl]** And straight away, in 1958, came the conference in Stresa. How did the Commission prepare for that conference?

**[Georges Rencki]** As you know, Mansholt was, of course, responsible for organising it, and it was Mansholt's custom to hold what were called round tables, which at first, in early January and February 1958, were held either at his place or in a restaurant or elsewhere, with four or five colleagues. And the conference in Stresa was actually the first time the Commission was on public display. So it was a fairly important occasion. There were quite a lot of discussions at first about whether this was just one conference or a series of conferences. I remember that Mansholt and Hallstein insisted from the start that it must be one conference — lasting a week if necessary — but that the Commission would then assume the responsibility conferred on it by the Treaty to propose the overall policy, a responsibility that must be safeguarded. It must not be watered down from the outset by conferences of what you might call a diplomatic nature. So perhaps what I am saying is that some of Mansholt's colleagues in this little group, such as Louis Rabot, future Director-General of the Directorate-General for Agriculture, and my friend

von Verschuer had already been involved with Mansholt in the ‘green pool’ discussions. It was they who, together with Mansholt of course, drafted the resolutions, the reports, did all the preparatory work for the conference. As for me, the Commission instructed me to organise that conference. Now, you must realise that there was no administration, we did not have an administration, and we had only two interpreters, so that made it rather a difficult task. One of the details I remember is that I had to ask the Italian Government to find villas near the hotel where we were staying, where the conference was to be held, and to disconnect their telephones so as to free up a few lines for the journalists. That gives you some idea of the kind of level involved if you have to hold a conference of two or three hundred people without any administration. Anyway, in the end, it was all very good-humoured, and we had highly dedicated teams. The Council of Europe and the ECSC lent us some officials, and some equipment too, since we also needed translation facilities — these really were the very early days.

**[Christian Lekl]** What was your view of the outcome of the conference?

**[Georges Rencki]** To put it simply, that conference in fact reflected all Mansholt’s earlier ideas, while also satisfying people, because obviously the final resolution had to please everybody. But looking back at the various decisions that were referred to in that final resolution, the idea that agriculture should become an integral part of the economy came from Mansholt. The idea that future policy must also take account of the need for trade with non-member countries came from the Netherlands and Germany. Next, the rational organisation of production and the development of the policy for agricultural structures, that is to say modernisation and improving productivity, that too came from Mansholt. Balancing production with potential outlets was another of Mansholt’s constant concerns, and as you know this gave rise to great difficulties later on. So, roughly speaking, that was the situation. Then there was the idea of farmers being paid at a level comparable to what they would receive in other economic sectors. That idea came up again later in the Mansholt Plan. And then, for the Germans and everybody else, because this was an option of a political nature, it was a very strong affirmation of the family model of European agriculture. Let me add that few people are aware that, as early as Stresa, Mansholt had spoken of what he called the industrialisation of rural regions — by which he meant the economic development of rural regions — as a means of absorbing the labour surplus, i.e. regional policy. We will be looking later on at the amount of aid he provided. As you know, when the ERDF was created in 1975, the first official aid allocation was 250 million units of account. But Mansholt added another 150 million in agricultural appropriations. That shows how interested he was from the outset in the issue of difficult agricultural regions.

## **2. The introduction and early days of the common agricultural policy**

**[Christian Lekl]** What part did the outcome of the Stresa Conference play in the preparations for the proposals made a year later, in December 1959, on the introduction and implementation of the common agricultural policy?

**[Georges Rencki]** Here, I must say that, although great emphasis was put in Stresa on Mansholt’s ideas, especially on modernising agriculture, i.e. the structural aspect of the common agricultural policy, at the same time it is clear that agricultural policy subsequently became increasingly — and I believe this is still the case today — a market policy of income

support rather than a structural policy in which the structural aspect, what is nowadays called the structural pillar, became weaker than what was proposed in Stresa.

**[Christian Lekl]** And do you remember, for instance, the Council's reaction? How did the Council react to these proposals?

**[Georges Rencki]** To the first proposals? Well, you know it was a long debate which basically ended in 1962, with the marathons, the first marathons; but we became used to these all day and night marathons, which were a rather detestable habit but ultimately one that we lived with for a long time. I have said elsewhere that whisky was distributed at midnight. Although I cannot prove it, I have always had the impression that sleeping pills were put in the whisky to calm the ministers down during the night ... In short, after that 1962 marathon, we already had the regulations organising the market in a range of agricultural products, and then, over the next two years, regulations were adopted on the organisation of the markets in other products, which means that, from 1962 until 1964–1975, you could say that 80 % of products that came under the organisation of the market were regulated. When I say 'regulated', perhaps I can give you a more specific idea of what the common agricultural policy was and, to some extent, still is. It was an almost autonomous policy, since it governed prices and incomes. It governed customs, external levies; once we got to the single price in 1965, it led to, and we had, a common currency — at the time, we called them units of account. But we certainly had to find some way of expressing — and this was before the euro, long before the euro — the unity of the market in agricultural prices. It was also a policy of modernisation of investments, and not just of the market; it was a very comprehensive policy. Let me add that the common agricultural policy had its own, specific competition rules.

**[Christian Lekl]** You have described the December 1961 marathon and the one in January 1962, which ended with the creation of the EAGGF and the Council adopting a first financial regulation that laid down responsibility for agricultural expenditure. Could you explain to us the broad lines of the principles of CAP financing?

**[Georges Rencki]** Without going into detail, I think we have to say there were two parts: there was the 'market' part and there was the 'structural' part. And the principle underlying the 'market' part was price support; everything relating to price support and external protection was financed 100 %. On the other hand, a distinction was drawn from the outset with regard to the structural pillar, i.e. the modernisation of agricultural holdings, which was financed only in part. It was cofinanced with the Member States. So that was already a first principle. 100 % financing means total financial coresponsibility, and something that was not often discussed except in specialist circles was that legally there were, in fact, no limits to the agricultural budget. In practice, the first ceiling for agricultural expenditure was not fixed until 1999 in Berlin. It was an automatic expenditure. Parliament had no say, had no right to amend it, and the budget corresponded to the expenditure incurred; of course, this was not very healthy, and eventually, with the subsequent growth in surpluses, it began to show its limitations, and steps had to be taken; but that came later.

**[Christian Lekl]** I want to come back to yet another point. In 1959, you were appointed Head of Division responsible for relations with non-governmental organisations. What exactly did your job involve?

**[Georges Rencki]** First of all, you might say that it was a job which allowed me to remain in direct and personal contact with Mansholt, since Mansholt was enormously concerned — and

that is a specifically Dutch concern — with ensuring that we developed very close relations with the professional milieu. You know that, under the Dutch governmental system, regulatory tasks are actually delegated to professional organisations. At the same time, he was very aware of the danger of working in a kind of ivory tower in Brussels, separated from the everyday lives of European citizens, and farmers in particular. So the primary task of this division — and this began as early as Stresa, and before Stresa in the Private Office — concerned the professional organisations of producers, of agricultural cooperatives, of the industry, of trade and the agricultural unions ... Indeed, there were a great many farm workers at the time, a time when 20 % of the working population in Europe was involved in farming, which is another election policy aspect one must never forget when speaking of the early days of the common agricultural policy. Our major concern was to avoid having to mediate between conflicts of interest among national professional organisations, which meant that, from the outset, we called on the professional organisations to form themselves into groups consisting of representatives of the six Member States. A few years later, there were something like 500 international organisations represented in those groups that were more or less closely, in fact closely, connected with agriculture. As early as the Stresa Conference, that was the condition I imposed on the professional organisations, who were invited as observers provided they came as representatives of their country. And that policy, which for a short time also consisted in Mansholt's case of not receiving, or at least not officially receiving, representatives of each national organisation but asking them to come as a representative body, followed the same direction.

Mansholt was also keen to ensure that the decision-making process — proposal from the Commission, decision by the Council of Ministers, with Parliament playing a fairly modest role at the time — was not obstructed or undermined by misunderstandings. After a certain time, we therefore decided to set up advisory committees for each product, about 30 committees, under the Commission, created by a Commission decision, and in which the representatives of the professional groups of which I spoke — producers, cooperatives, industries, trades, workers and then consumers — would meet as delegations, as groups representing the six Member States. It was the delegates serving on these groups who were appointed members of these advisory committees. And it became the custom, when the Commission prepared its agricultural proposals, for them to discuss them, although not in detail because, of course, it was the states we had to address. We had to prepare what we were going to propose to the Council of Ministers. This enabled the national organisations to draw up their own compromises so as to prevent too much of a blockage at Council level, as would have happened if each organisation went to see its own minister with, on top of that, misinformation or misunderstandings, which would then have been reflected at Council level. It was a method to which he was much attached, and in fact, despite that appointment, I continued to work directly with Mansholt, which meant I was able to attend all the Council of Ministers meetings and all the 'round table' meetings on all aspects of agricultural policy.

**[Christian Lekl]** And how were relations with the trade unions and employers' organisations in the agricultural sector? Did you have to go and meet them personally to explain things? How were you to make this new common agricultural policy acceptable? Surely there was some opposition?

**[Georges Rencki]** I think 1962 was a relatively easy time, and I do not think there were any great difficulties later either, when the market organisations were set up. The trouble began when we had to fix a single price. For until 1967 — I believe that was when the single price

entered into force — we had identical national market policies, but they functioned differently in terms of prices, and therefore of support. That is one of the reasons why it was not possible to make agriculture part of the Common Market without having a common policy, since that would have made no sense at all within a sector of the economy that was regulated — and it certainly was regulated. Since prices were fixed, we could not simply open up customs, that would have made no sense at all. So you could say that the real difficulties began when we had to move towards a common price policy, and as you know, the main problems there were German agriculture, where prices were higher. In the end, price fixing had to be a compromise. It could not be based on German prices, but nevertheless, in the end the compromise that was reached after many difficulties led to prices that were close to the German prices. Later on, that was to have considerable consequences because of the surpluses that ensued, the butter mountains, the wine lakes — I don't know where the expression 'wine lakes', which I have seen in a recent publication, comes from; at any rate, I never heard it used at the time, at least not in France.

So we were in daily contact with the trade organisations in Brussels, but of course we also had to travel to the other countries. Mansholt himself very often made appearances and gave speeches at agricultural meetings and at congresses with agricultural or other trade organisations. So there were very close contacts. Then came a time of growing difficulties, because of inflation, because of surpluses that were holding back the rise in prices, and there was the Mansholt Plan, which we will speak about later. These were a shock to European agriculture as a whole; and finally, people began to discuss the future of European agriculture, which most of them had been reluctant to address.

**[Christian Lekl]** The Dillon Round negotiations took place virtually at the same time as the launch of the CAP in the early 1960s. Was the establishment of the CAP hindered by the commitments entered into under the GATT?

**[Georges Rencki]** As you know, as soon as the Community was set up, our international partners asked us to pay in some way for the fact that we were creating a single market. So there were a number of negotiations in that regard. Some people felt that the Dillon Round negotiations with the Americans at that time were a little too favourable to our international partners, especially in regard to soya and animal feed. In fact, the international dimension still plays a part today ... the Doha Round has virtually stalled because of agricultural issues. They have been the sticking point in all world trade negotiations, whether in the GATT or today in the World Trade Organisation. So, as we will see when we come to the reforms of the agricultural policy, this concern became a factor that contributed to the modification of the common agricultural policy.

**[Christian Lekl]** In 1968, you were appointed Head of Division responsible for agricultural structures. What role did you play in drawing up the Mansholt Plan, which introduced the concept of structural policy?

**[Georges Rencki]** Let me begin by saying that Mansholt decided, at a certain point, to raise the question of the future of agriculture clearly and in a way that would trigger debate in all agricultural circles. It was a question of what could be achieved by support for farm incomes, knowing that it was no longer feasible to increase agricultural prices, guaranteed prices, on an almost annual basis because, at that time, we were entering a period of surpluses. Mansholt's reaction was as follows: it is no longer possible to secure the incomes and profitability of marginal holdings, so we have to reduce ... we have to ensure that we have larger, more

modern, more effective holdings. Hence the birth of the Mansholt Plan, which was a difficult operation. Difficult because we had to say to the farmers: ‘Listen, with this Mansholt Plan, with these measures, we will offer you the opportunity of a free choice as to whether or not to remain in farming; if you remain, we advise you to make multiannual development plans, and we will give you all the necessary investment aid, whether in the form of buildings, machinery or other expenditure, so that you can obtain a comparable income.’ You remember Stresa, which we spoke of earlier, in relation to Mansholt’s concept of comparable incomes. This was for those who wanted to remain. In the case of farmers who had already reached a certain age — and you must not forget that, at that time, half of European agriculture was in the hands of farmers over the age of 55 — we proposed a solution that was not just social but also structural, for we proposed early retirement at age 55 for those farmers who wished it and who, in exchange for this early retirement, would rent out or sell their farmland to young farmers who had development plans or were developing their holdings, were expanding. And then the third aspect: those who wanted to leave farming were offered options for professional retraining, thanks to agricultural advisers — not traditional advisers who give advice on production techniques but vocational guidance advisers. And the fourth aspect, which everyone has forgotten but which, in the minds of Mansholt and the Commission, formed an integral part of the package, was that raising productivity by means of investment and modernisation would lead to a rise in production. At the same time, we had to reduce agricultural supply, especially given the surpluses on the markets. So we proposed, Mansholt proposed, setting aside 5 million hectares, with compensation of course, and slaughtering 3 million cows. The Council of Ministers did not accept any of these measures. It accepted all the others. But it did not accept the measures relating to prudence in the face of a situation of surpluses that were about to escalate out of control, and this had enduring consequences. Then, in the period that followed, we did our utmost to try to reduce the surpluses.

**[Christian Lekl]** I would like to come back later to the Council’s adoption of the substance of the Mansholt Plan, but how was the plan received by the farmers themselves?

**[Georges Rencki]** Yes, by the individual farmers. Since I was appointed at the time to the Division responsible for agricultural production structures so that I could continue working with Mansholt on an issue very close to his heart, which is to say structural policy, I must say that the first draft, the Mansholt Memorandum, was worded in such a way that the farmers could have seen it as a provocation. But Mansholt wanted people to talk and to discuss the future of agriculture. So he knew what he was doing. Let me give you an example: it was said that the farming population would fall by 5 million over 10 years. You really need enormous political courage to say that. It is like telling many MPs: right, we are going to reduce the number of your voters in rural regions. In fact, however, this only looked like a provocation, because if you take the statistics on annual departures and spread them over the next 10 years, that is the number you get. But because of the way it was announced, many farming communities saw it as a provocation.

There were some nuances, though, and we got on very well with the young farmers in France. Those young farmers were not the youth section of a professional organisation; they were a professional organisation in itself. They carried considerable political weight. And it was young farmers who decided to remain. In fact, they were almost more interested in structural problems than in problems relating to prices. In that area, we had men such as Michel Debatisse, and the then French minister Edgard Pisani took exactly the same line. One could say that Pisani and Mansholt really worked hand in hand and that, when the plan was first announced, during the first stage, we had the support of, let us say, half the French professional organisations; the

Belgians were hesitant, the Dutch, as far as I remember, were quite favourably disposed, the Germans totally opposed, the Italians totally in favour. That was the picture then. As for the Germans, let me tell you a little anecdote, because that will also show you how Mansholt operated. At one time, there were very violent demonstrations against Mansholt in Germany. And the German Government said to us: 'Well, we are worried; there is about to be a huge demonstration.' Mansholt said: 'I am happy to go and meet the German farmers and talk to them.' He asked for ... we were given a helicopter. I accompanied him, and off we went, I cannot remember exactly where, to a rural area outside town, where there was a huge meeting of tens of thousands of farmers. We landed right in the middle. There were banners reading 'Death to Mansholt', 'Death to the Mansholt Plan', etc. Mansholt got out of the helicopter and looked round slowly for two or three minutes, read the banners without saying a word — already a rather surprising attitude — and then addressed the first farmer: 'Have you got a farm?' 'Yes.' 'Have you got a son?' 'Yes.' 'Will he stay on at the farm?' Embarrassed reply from the farmer: 'No.' 'Why not?' 'Because it's not modern, it's not comfortable, because there's no kitchen, he won't find a wife.' In short, this encapsulated the whole issue of the future of farming from the social and psychological point of view and the question of dignity. That was the right way to go about it. He then held conferences and made speeches throughout Europe on this subject. He campaigned on the subject. And in the end, as you know, the Council adopted all the measures except those relating to prudence in the production sector.

### 3. The common agricultural policy and regional policy

**[Christian Lekl]** Was this non-adoption in 1972 of the Mansholt proposals on reducing the utilised agricultural area and reducing livestock numbers the source of the CAP's subsequent problems?

**[Georges Rencki]** The source ... you know, there is never just one reason. I said a while ago that most experts believe the level of guaranteed prices was too high and too much of a production incentive. That is one of the reasons, but certainly the fact that there was no brake caused by reductions in the farmed area and in the number of cows contributed to what became an untenable situation. In the years around 1972, as far as I remember, we had 700 000 tonnes of butter stored in the Community's fridges. And let me tell you another little anecdote, because very often the general public found this hard to accept, and as a result the common agricultural policy suffered for years from the problem of surpluses. In a sense, the general public was saying: 'But since you have surpluses, you must give them to poor countries,' etc. I attended two meetings between Mansholt and the then Director-General of the FAO. At the first meeting, Mansholt said: 'We have 700 000 tonnes of butter. We will give them to you. Can you consult your representatives, i.e. the developing countries, and ask them under what conditions ...' Right. Then came a second meeting, two weeks later. The Director-General arrived and said to us: 'Okay, we are interested, but there are conditions. First, we would like you to turn the butter into butyric oil because of those countries' eating habits; secondly, you have to pay the transport costs to the destination; thirdly, you have to guarantee delivery for 10 years, because we cannot change eating habits, or commercial distribution chains, just for a one-off. And if you do all that, we are prepared to take 30 000 tonnes.' That was the reality of the situation. As a result, we held meetings with experts. We had to get rid of these surpluses. Well, we were very clever! Perhaps you were not very interested, or even alive, at that time, but there was something called Christmas butter. This was butter that had been stored for a year and was perfectly all right, but when we put it on the European market, we tried to tell consumers that it was butter that could



be used for cooking, and we sold it at half price. We did not want consumers to buy only that butter and not buy what one might call normal butter. So we had to make it seem of lower quality. That worked for a few years, then people realised that it was not bad butter, so that was that. Then we gave away milk and butter to all the schools, all the charities, but these were just tiny quantities compared with the scale of the problem we had to resolve! So this was a period that did lasting damage in terms of public opinion. It was a period, before the MacSharry reform in 1992, when we used every possible means, all the tricks I have told you about, to promote the internal market.

As for the external market, there were export subsidies, which we discreetly called refunds, which still exist to a small extent but are still criticised by all our international partners, because — well, without putting it too brutally, although there is a name for this, what it really means is selling below production price costs. So those were the means we used. We also went so far as to say to the minister: ‘We cannot go on raising prices; we will lower prices.’ We put forward proposals for lowering prices, which naturally caused quite a stir, as you might imagine. That was when we introduced quotas. You will have witnessed or, at any rate, heard about the dairy farmers’ demonstrations a few weeks ago calling for the return of the quota system. So that was when we introduced quotas, which led to demonstrations against them by the farmers. I am saying this in passing, but it actually is the strict historical truth. So we tried to take quantitative restrictive measures, alongside all the others. In the end, however, the results were relatively meagre, which is what led to the MacSharry reform a few years after Mansholt’s departure.

**[Christian Lekl]** As we have seen, the substance of the Mansholt Plan was adopted in 1972. A year later saw the first enlargement of the European Communities. How important was the CAP in the accession negotiations leading to the first enlargement? Because there was the issue of Commonwealth products, but there was also the sizeable Danish agricultural sector ...

**[Georges Rencki]** I would say that the big problems came during the first negotiations with the British, that is, during the first of the three enlargements. As you know, there were two British negotiations. I am speaking of the first one. In the end, contrary to what was believed at the outset, the problems were resolved. I do not know if you remember that the Council of Ministers, that is to say the conference of all the Six plus the candidates for accession, asked Mansholt to sort out the agricultural problem. The agricultural problem was sorted out. As regards imports from the Commonwealth, we were looking at a system of gradual reduction over several years. But there was another, far more serious problem, which was that the British system of deficiency payments was totally different from ours. We had price guarantees while they imported freely from the world market and gave compensatory subsidies to farmers. In the end, the British accepted everything. In the case of the Danes, there were no major problems, since they had a very lively and competitive agricultural industry. So it was in their interest to join.

**[Christian Lekl]** And how did things go with the subsequent enlargements?

**[Georges Rencki]** Well, when it came to the next enlargements, there were no major problems except with Spain. And there, as you know, we finally imposed absolutely enormous transitional periods of seven years. That was because southern France and, to some extent, Italy feared competition in the fruit and vegetables sector. Then they realised that they were exporters of these products and that nothing nasty was happening. But that was when big problems arose. And that brings us to the period starting in 2000 and the preparations for the most recent enlargement. In the meantime, as regards the others, there were no problems with the Greeks,

and naturally the enlargement northwards, to Sweden, Finland and Austria, did not pose any problems either. Austria could have posed problems, but let me take this opportunity to say we had already adopted the regulation, the directive on mountain and hill farming and farming in less-favoured agricultural areas, immediately after the Mansholt Plan. These were the first direct income-support payments, dating back to 1993 or 1995, I cannot remember which. The aim was to sustain the farming population in difficult regions, especially in mountain and hill areas, where the young were leaving, where they could not compete with farmers on the plains because production costs were far higher, as were transport and marketing costs. That is why we drew up rules enabling us to make direct payments to all mountain and hill farmers who undertook to continue producing for at least five years. This kicked off a kind of renaissance in the lives, at times very hard, of hill farmers in Europe. So Austria, where agriculture takes the form of mountain and hill farming, had no problems on joining, since this legislation already existed.

**[Christian Lekl]** You said that, during the enlargement negotiations, the accession negotiations, the British Government had to accept everything. Nonetheless, a few years later, indeed very soon after, it called for a renegotiation of the conditions, and the funding question was already an important issue during those negotiations. Then, some years later, at the Fontainebleau European Council meeting in June 1984, the British Government finally obtained a substantial reduction in its budget contribution ...

**[Georges Rencki]** ... which was to be challenged again during the future budget debate, as you know. Anyway, that was not an agricultural issue but a budgetary issue. If you like, I will reiterate some of what my boss Mansholt said on the question of calculating the advantages and drawbacks of belonging to the Community in this or that sector. You probably know that he forbade his officials to publish any figures whatsoever that might allow calculations or comparisons of this kind to be made in the agricultural sector. I think that veto stemmed from the very clear premise that, in building the European Community, when you calculate the advantages and drawbacks, you cannot look just at the policies that are expensive, that cost in budgetary terms, and not look at the unquantifiable benefits. Let me give you an example: the rules of competition, the implementation of the rules of competition, benefit those who are efficient and who sell products that are produced under viable conditions of productivity. Who measures those advantages? No one. Instead, they just count those aspects that are financially quantifiable. That makes no sense at all. So when it comes to all those debates and the attitude of the British in that regard ... well, I think you understand where I stand on that.

**[Christian Lekl]** In 1977, you moved to the Directorate-General for Regional Policy. Two years earlier, in 1975, you had set up the European Regional Development Fund. How did that financial agency come into being, and how did it evolve?

**[Georges Rencki]** Yes, first I moved to regional policy, which I was close to from the outset. Specifically, I was the official responsible for drafting the directive on mountain and hill farming and farming in other less-favoured regions. You remember that even back in Stresa the resolution covered aspects of regional policy. So it was perfectly natural for me to move from one directorate-general to another, and all the more so because the first ERDF or European Regional Development Fund regulation was concerned with disadvantages due, among other things, to the rural nature of some areas. So that regulation already addressed the issue of agricultural areas, and above all less-advantaged agricultural areas. Now, regional policy must not be identified with the Regional Fund. The Regional Fund initially involved a very small sum of money. I spoke of that a moment ago. Let me remind you that Mansholt topped up the

EAGGF funds with some of this money. In the beginning, we saw the coordination of national regional development policies. So you could say that, in the beginning, the funding went to projects submitted by the states, in regions that were defined by the states on the basis of their average of the national GDP, which meant that you had virtually as many subsidised regions in rich countries as in poor countries. Little by little, that policy evolved until it became a policy of cofinancing policies and not just projects; for we realised that, with the increase in the resources available to regional policy, the administrative task of analysing projects for which we did not have much responsibility in any case no longer made much sense. What interested us far more was to cofinance five-year, or at any rate multiannual development programmes for a given region, which we would have already approved and in which we had included Community priorities that derived from the other policies or from Community considerations. So the development of that policy shifted from the coordination of national policies towards a common, or very largely common policy.

On the subject of regional policy, let me point out that the ERDF does not grant loans like the other institutions such as the World Bank, the EIB, etc. Europe makes direct payments to disadvantaged regions to improve investment, infrastructure, training — productive investment. So these are grants. Now, I must say that, gradually, over the history of the European Union, four of the five enlargements — that is to say, leaving aside the enlargement to include the countries of northern Europe of which I spoke a moment ago — led to the acceptance of poor countries or economically less-developed countries. We must not forget that, at the time, Great Britain was a poor country that was joining relatively richer countries — I am not speaking of Ireland, of course — and the same applied to Greece, Spain and Portugal, as it still does today to the countries of Central and Eastern Europe. And this was, perhaps, thanks to Delors, and to the Single Act and the section it contains on the Structural Funds; for this came at a time when we doubled the financial resources and moved entirely to the cofinancing of programmes and therefore of policies, after ensuring, a few years earlier, that part of the EAGGF funding was earmarked for purely Community operations launched at the initiative of the Commission. This applied to disadvantaged regions in the process of industrial redevelopment, such as the steel and coal regions, the textile regions, regions suffering as a result of disarmament because they had survived on the military defence industries, etc. So it increasingly became a genuine Community policy. And the principle underlying all this is unique in international relations — for all the endeavours to set up free-trade areas in America, between the United States, Mexico and other countries too, have tended to fail because opening up the market, which benefited the most efficient, was not accompanied by compensation on the part of the richer countries, which, in the Community, fund the gradual improvement in the economic development of the poorest countries.

So it is this concept that gave rise to the term ‘economic and social cohesion’. It is a great achievement in the history of European integration and one that is not referred to often enough. People have already forgotten that, at the time, in the early days, the ERDF funded Brittany, the South-West, Corsica, the Massif Central. Today, nobody mentions that any more. It funded Bavaria, which has meanwhile become the richest region, but all kinds of regions were funded by it, one after another. Perhaps I am exaggerating, but I like the image I use when speaking to my students in the College of Europe in Bruges, where I describe it as a form of social security, not for individuals but for regions: any region with a gross domestic product below 75 % of the Community average is more or less automatically entitled to this aid in the form of direct payments, which is very substantial and lasts five or six years — those are the financial periods, the most recent one actually lasted seven years. The funding does not simply come to an end but is gradually reduced once you reach a certain level of income ... It is a factor of solidarity never

seen before; and yet people keep describing Europe as a jungle, a liberal jungle ... I believe too little emphasis is put on this major aspect of European integration.

Let me add that public opinion in Europe is not sufficiently aware that, if your GDP is below 75 % of the EU GDP, not only are you entitled to this multiannual aid to investment, to improvement, to the development of your economy, but you also have the right to adulterate or infringe the rules of competition. Under the rules of competition, the Directorate-General for Competition applies differing maximum state aid rates to enterprises in line with the level of development of the region in question. The rate may be 15 % in West Germany, but 40 % or 50 % in certain regions of Spain or Northern Ireland or other less-favoured regions. So it is a raft of measures — not just financial but also measures authorising a region not to observe the rules of competition — which together create a strong incentive to invest in those regions. And that has produced results which are undoubtedly remarkable: notwithstanding the most recent problems due to the crisis, Ireland, which was the poorest country, has become one of the richest EU countries. Ireland received 20 years of aid at 0.9 %, or actually nearly 1 %, of the Irish GDP each year. That is a substantial amount.

#### **4. Reforms of the CAP and the enlargement of the EU to 27**

**[Christian Lekl]** I will, if I may, take a leap forward in time, while still looking at the reform of the Structural Funds, because the 1999 Berlin European Council saw another reform of the Structural Funds. Did that reform to some extent follow on from the measures taken earlier, and how important was it?

**[Georges Rencki]** At the 1999 Berlin Summit, we actually saw the follow-up to that Commission memorandum, with the major preparations for enlargement eastward, that is towards Central and Eastern Europe. Well, they related to the agricultural sector, but there were two aspects — and I am summarising here because an enormous number of decisions were taken. On the one hand, you had the introduction of the expenditure ceiling, i.e. a specific budget for agriculture. Although earlier on I said that, ultimately, there were no limits, they were set for the first time in Berlin. The second decision, which was subsequently amended during the negotiations, was how to treat the Central and Eastern European countries in terms of agricultural assistance, given that, in practice, they were not receiving the equivalent of the direct aid given in the Europe of 15. As you know, the negotiations were lengthy, and they ended with the idea of gradual accession, concluding in 2013, so that direct aid could reach the same level as in the Europe of 15. But this idea had already been discussed in Berlin. As regards regional policy, the problem was how to treat regions regarded as facing difficulties and which, as such, were assisted under the regional policy of the Europe of 15 but would no longer be regarded as regions in difficulty if you took the average GDP not of the 15 but of the 27, which was much lower. That was when we sketched out the solutions that were later adopted, namely several categories of regions. There were regions in the Europe of 15 that would, in any case, soon no longer be eligible for assistance from the Fund. There were others that would not be eligible simply because the statistics had changed, because the level taken for comparison had changed; so statistically, these were regions where nothing had actually changed, yet they now found themselves ineligible under the system of assistance. So we set up a whole degressive system of assistance. In short, this was the big preparation for enlargement.

**[Christian Lekl]** We spoke earlier of some of the problems facing the common agricultural policy in the 1980s. How was the MacSharry reform of 1992 meant to reduce or resolve the problems presented by the CAP?

**[Georges Rencki]** As soon as the MacSharry reform was adopted in 1992, it set off a process that culminated in the 2003 Fischler reform, which was adopted in 2005. That reform has now come into force and consists of decoupling, dissociating Community support for agricultural incomes from the product and paying it to the farm. Under the MacSharry reform, it was paid on a product-by-product basis. That meant substantial reductions in price guarantees, reductions of 30 % for beef and veal, 20 % for wheat and cereals, 15 % for dairy products such as butter. These were big reductions, which were offset by continuous direct payments to farms. But it involved a range of subsidies, paid on a product-by-product basis. Alongside that, under the Fischler reform, we grouped together all these subsidies that were paid to a given farm during a historical reference period and said: ‘From now on, you will be paid that particular subsidy, but you will no longer receive any price support whatsoever, except in the form of a safety net, i.e. safeguard measures in the event of really large price falls.’ So that was the big change. Under MacSharry, we also introduced — and this will remind you of something, since we spoke of the Mansholt Plan — for the first time, on a more or less voluntary basis, the set-aside of 15 % of farmed land. So here you have these two reforms, which have to be interlinked since one reinforced the other. And what was decided in Berlin was quite simply to continue with and develop the MacSharry method.

**[Christian Lekl]** At the same time, that is to say in the early 1990s, we saw the Uruguay Round negotiations. To what extent was the MacSharry reform essential to the GATT agreements in the context of the Uruguay Round and the signing of the Marrakesh Agreement?

**[Georges Rencki]** Once again, perhaps I can link the two reforms, MacSharry and Fischler, because the answer is the same. As you know, the GATT and now the WTO negotiations on agricultural products both concern categories of aid. You could say that the aid that has given rise to the strongest opposition from all our partners is product support. By revising the system of income support for European farmers, Europe could say to its partners: ‘We are no longer paying product support, we are giving support to the farm — subject, however, to a range of environmental requirements.’ Green payments. As a result, you could say we were less vulnerable to attack during the GATT negotiations. I say ‘less’ because not everyone was convinced, but anyway, that is how it was presented. I must say that Commissioner Fischler, the author of the last reform, also laid emphasis on rural development, creating a second EAGGF pillar, the EAFRD. Now, there is always the problem of knowing who is responsible for what in regional policy, who is responsible for the entirety of a difficult region and its rural development, who is probably responsible for the same regions and also for other regions that are richer but look more like farming areas. Given all these arguments, because we were more able to defend ourselves in the face of our international partners and, secondly, were able to respond to the mounting and very strong criticism of the CAP on the part of the general public, directed in particular against the intensification, the over-intensification of agricultural production and the use of fertilisers, of pesticides, etc., and the resulting pollution, we were able to say: ‘These direct payments are subject to compliance with a number of environmental rules.’ And all this was, if you like, a joint operation that, to some extent, rescued the CAP in the eyes of the general public.

**[Christian Lekl]** You spoke of the European Union’s enlargement towards the Central and Eastern European countries. Now, you yourself advised the Polish Government on European

affairs with a view to Poland's accession to the European Union. What were Poland's main concerns and expectations?

**[Georges Rencki]** I first became interested in this issue when Jacques Delors decided, after the fall of the Berlin Wall, that we must establish a presence in East Germany as quickly as possible, in the future eastern *Länder* of Germany, to make preparations for Regional Fund activities and regional development policy as a whole in those regions by negotiating development programmes, etc. And I was responsible for initiating those negotiations, so that I learned a bit about that bizarre economy where you would arrive in an undertaking and the director would say, in answer to the question: 'What is your turnover?', 'Well, listen, we produce thread; you have reel X over there, reel Y over there, and we produce 30 000 kilometres a month with one, 20 000 kilometres with the other, and then a third one ...' Fine, so we got no reply, which of course we all found a little hard to understand. But that was a world apart.

Then, when I left my job in regional policy, left active service in the Commission, I became special adviser to the Commission on regional policy. And at the time, Delors, and then also Prodi, wanted Commission directors to advise the prime ministers of future accession candidates, if they so wished. In fact, this was a fascinating job because one discovered a new world and had to try to explain the Community culture with its jargon, its rules, its principles, its habits, good or bad, to people who knew nothing at all about these issues, and, conversely, to point out to Commission colleagues that the situations we encountered in Poland and other countries, Poland being a major example, might be totally unexpected in terms of normal regional policy thinking. The problem of agriculture loomed large in Poland because the proportion of agricultural workers in that country was more or less the same as what we had seen in Europe and in France and in our countries in 1950 or 1960, that is to say between 15 % and 20 % of the working population, i.e. too many farmers. So as I said, we held negotiations on this issue, which was difficult because, quite simply, there were budget problems. This was not a very propitious moment for increased spending. So the problem was whether Community support for agriculture would come to an end, would in practice take the form only of the safety net for prices, or whether farmers would receive the same assistance in the form of the direct payments of which I spoke earlier. Well, I told you how it all ended, but this was an important issue. For the rest, regional policy is, of course, vitally important to those countries because it enables them to renovate or create infrastructure that is sorely lacking, something that, as you know, forms the basis of all economic development, since without it, nothing works. So negotiating the criteria was a major concern, as was those countries' absorption capacity — and students of mine at the College of Europe who are writing theses or dissertations often choose this as their topic. We are at the beginning of the movement. Will they have this absorption capacity? As we know, the poorer the country, the more difficult it finds it to spend the money it receives in the form of grants, even in the form of grants. This is a curious paradox, but one that we have experienced on many occasions. I have even had problems with Italy, for example, which did not manage to disburse the payments that it received at a certain point in time. That is how it is.

Well, I could speak at length about the problems of those countries, but the new leaders who came and who were not necessarily economists — they were philosophers, workers, linguists, historians — had to undergo a kind of purely theoretical, almost academic apprenticeship in what a market economy is. Sometimes that apprenticeship led them to ask questions that were almost embarrassing. I remember a question I was asked in Poland, when the head of the newly created anti-monopoly office said to me: 'But the beet-growers, the producers of beet, and the

sugar producers, the manufacturers, tell me that they want to reach multiannual agreements, valid for several years, which are therefore outside any competition. Surely that does not comply with the competition rules?’ I replied: ‘Madam, in theory yes, but in practice it is what we have been doing for 40 years under the common agricultural policy, and we are encouraging these multiannual price agreements.’ So these were fascinating problems, because they were new, because they were difficult! In short, I am saying that, when it comes to transposing a Western tax system — VAT for example, or company turnover tax — you must realise that, say, 70 % of industrial employment in the Europe of 15 — indeed 75 % of industrial employment — was to be found in small and medium-sized enterprises, whereas in East Germany, Poland or Czechoslovakia, it was 2 % or 3 %. The remainder were the 8 000 *moloch* enterprises, owned by the state. So a tax system that covers 8 000 enterprises is not at all the same as a system applying to millions of enterprises! Then it is not enough to say: ‘Introduce VAT for enterprises.’ It is not that simple, is it? Indeed, one could cite many examples of the kind. But given that, prior to their accession, those countries had to adopt the entire Community *acquis*, all our rules — the rules of the rich countries to boot! — I must say, they made an absolutely remarkable effort in that respect, and one that is perhaps not sufficiently appreciated in the other part of Europe.

**[Christian Lekl]** We have spoken at length about the CAP, especially its history: its creation, its launch, the various reforms; but what do you think of the CAP in today’s Europe?

**[Georges Rencki]** I think that it is not an easy issue. The general approach in European circles — I am deliberately saying European circles without being more specific — is towards a drastic reduction in the agricultural budget. I am speaking of the forthcoming negotiations on the post-2013 budget. But the debate is starting right now. Personally, I see two phenomena. Firstly, the huge majority of experts believe that world food prices will rise. They soared two years ago, they have fallen slightly now, but structurally speaking the growth of the Chinese market and consumption — i.e. of Chinese, Indian, Brazilian or other demand — will lead to growing demand. This is especially so in view of the changes in eating habits with people moving towards the consumption of meat — after all, meat has the same nutritional value as four kilos of cereals, so it is a luxury in a sense. All this and other aspects suggest that ... As you know, in 2007, there was a tendency in some quarters to panic, with some governments preventing exports in order to keep reserves; there was speculation, and there was the production of biofuels that began to compete with the use of land for farming. I believe this is one phenomenon that we must take into account.

The other phenomenon is that Europe has no space left for agriculture. If you compare averages, the latest figures I was given last week showed that the average size of an agricultural holding in today’s EU of 27 is 16 hectares. Compare this with our major international competitors: in the United States it is 350 hectares, in Canada it is the same and in Brazil it is thousands of hectares. So you could say that we have made up for our fundamental structural handicap, namely the lack of space, by modernising in the form of the mass use of chemical products — more pesticides, more fertilisers, more water, irrigation. All this pollutes or, as in the case of water, uses a precious resource; you have heard about the green algae in Brittany, where it has been discovered that the sea into which agricultural waste is dumped is becoming polluted and a danger to man and beast. In short, for several years now, and rightly so, the general public has been calling for a kind of farming that shows more respect for nature, if I may put it that way, that is less intensive. As I said, we do not have the space for extensive farming. So in the long run, we risk seeing agricultural production fall and world prices rise.

In my purely personal opinion, the aim, the objective of the CAP in 1958, namely to guarantee European food supplies — which was regarded as completely obsolete during the past 20 or 30 years because there were surpluses, because there was no need to worry about whether or not we would be able to produce enough to feed the inhabitants of Europe — is now tending to become a matter of concern to public opinion and the public authorities. I believe that the 20-year period of surpluses made such an impression on public opinion and on the thinking of the leaders that this concern with food security disappeared, but I think it will probably come back. That will restore our farmers' dignity, because it is important to them to be useful and to produce, although conditions now will probably be different. As for public opinion ... You know that, in France in 1960, 40 % of the household budget was spent on food. Today, it is 20 %. We would like to eat organic food, to eat healthily, but public opinion is not prepared to pay more for less-intensive labour. All these questions will rise back to the surface and will perhaps give more meaning, greater justification, greater legitimacy, to the common agricultural policy in the future.

**[Christian Lekl]** I believe we have covered all the questions. Thank you very much for this extremely interesting interview. Many thanks.

**[Georges Rencki]** Thank you.