The good governance impact on the agricultural products exports of the EU

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Abstract

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Good governance and the quality of public administration are key aspects in ensuring a country's long-term competitiveness and well-being. Good governance affects the agricultural sector functioning in many ways. CAP reforms and the EU trade policy helped turn the EU from net importer to the world's top exporter of agri-food products. The purpose of the article is to check the hypothesis of good governance impact on the agricultural products exports amounts of the EU.

The extra-EU agro exports amounts for 19 years, that is from the year 2002 to 2020 included, were analyzed in the paper. The general dynamics of the said exports, the differences of the exports from the previous periods and the percentage of the agricultural products exports from the extra-EU total agricultural products trade were analyzed using the tools of the univariate and empirical analysis as well as visualization ones. The projection of the exports amounts mentioned above for two periods was made using the polynomial function having chosen from the exponential, linear, logarithmic, polynomial and power ones. The choice was made judging by the R^2 coefficient values.

Resulting from the research, it was stated, that good governance has a positive impact on the extra-EU agricultural products exports. But, still, good governance can't be considered the only factor influencing the said exports amount having its place near the EU enlargement events, the impact of the CAP reforms as well as the impact of the global economic and social challenges.

The research presented in the article can be used by public administration bodies, politicians and decision makers of both EU and the rest of the world, big and small companies involved in the agricultural products trade, the EU international trade bodies as well as beginners and experienced specialists in data analysis.

Keywords: good governance; agricultural products exports; extra-EU agricultural products trade; public administration
Abbreviations: CAP – Common Agricultural Policy; ELoGE – the European Label of Governance' Excellence; FAO – Food and Agriculture Organization of the United Nations; OHCHR – Office of the United Nations High Commissioner for Human Rights; the EU – the European Union; Eurostat – the statistical office of the European Union; NEPAD – the New Partnership for Africa's Development; SICE – the Organization of American State's Foreign Trade Information System; UNESCAP – United Nations Economic and Social Commission for Asia and the Pacific; WTO – World Trade Organization.

Introduction

A well run public administration system benefits people and business. The quality of public administration is important for economic competitiveness and societal well-being. The quality of public administration has a direct impact on the economic environment and is thus crucial to stimulating productivity, competitiveness and growth. Good governance and the quality of public administration is a key aspect in ensuring a country's long-term competitiveness and well-being (European Commission, 2014). Good Democratic Governance is a requirement at all levels of public administration (Council of Europe, 2021).

While good governance has gained prominence in the literature, there is little agreement on the essence of the concept. The definitions, which scholars use, depend for the most part on their respective research agenda or on the understanding of the actor under scrutiny (Börzel et al., 2008). Some scholars adopt a narrow understanding of good governance that is limited to the efficient and effective functioning of the state. They closely associate good governance with the management and performance of the administration and the regulatory framework of the state. In the understanding of the other authors, good governance also entails political aspects; democratic structures are perceived as key components of good governance (Hackenesch, 2016).

While there is no internationally agreed definition of 'good governance', it may span the following topics: full respect of human rights, the rule of law, effective participation, multi-actor partnerships, political pluralism, transparent and accountable processes and institutions, an efficient and effective public sector, legitimacy, access to knowledge, information and education, political empowerment of people, equity, sustainability, and attitudes and values that foster responsibility, solidarity and tolerance (OHCHR, 2021).

According to the Office of the High Commissioner on Human Rights (OHCHR), Good governance adds a normative or evaluative attribute to the process of governing. From a human rights perspective it refers primarily to the process whereby public institutions conduct public affairs, manage public resources and guarantee the realization of human rights (OHCHR, 2021).

Another United Nations Division – Economic and Social Commission for Asia and the Pacific (UNESCAP) considers good governance to have 8 major characteristics. It is participatory, consensus oriented, accountable, transparent, responsive, effective and efficient, equitable and inclusive and follows the rule of law. It assures that corruption is minimized, the views of minorities are taken into account and that the voices of the most vulnerable in society are heard in decision-making. It is also responsive to the present and future needs of society (UNESCAP, 2021).

The Human Rights Council has identified the key attributes of good governance:
- transparency
- responsibility
- accountability
- participation
- responsiveness (to the needs of the people) (OHCHR, 2021).

The Council of Europe defines it (author: good governance) through the 12 Principles, which represent the fundamental values of European democracy and requirements for Good Democratic Governance. They are:
- Participation, Representation, Fair Conduct of Elections
- Responsiveness
- Efficiency and Effectiveness
- Openness and Transparency
- Rule of Law
- Ethical Conduct
- Competence and Capacity
- Innovation and Openness to Change
- Sustainability and Long-Term Orientation
- Sound Financial Management
- Human Rights, Cultural Diversity and Social Cohesion
- Accountability (Council of Europe, 2021).

In summary, good governance relates to the political and institutional processes and outcomes that are necessary to achieve the goals of development. The true test of 'good' governance is the degree to which it delivers on the promise of human rights: civil, cultural, economic, political and social rights. The key question is: are the institutions of governance effectively guaranteeing the right to health, adequate housing, sufficient food, quality education, fair justice and personal security (OHCHR, 2021)?

Good governance is an ideal which is difficult to achieve in its totality. Very few countries and societies have come close to achieving good governance in its totality. However, to ensure sustainable human development, actions must be taken to work towards this ideal with the aim of making it a reality (UNESCAP, 2021).

Governance has become a hot topic on the critical role it plays in determining social welfare. More than that, in recent years it has begun to realize that good governance significantly influences a country's agricultural productivity (Bayyurt et al., 2015). In the World Development Report in 2008 (World Bank 2008), it was suggested that governance is the basis of agricultural development and that the process

of democratization, participation of civil societies, public sector administrative reforms and control of corruption pose a great potential for enhancing agricultural productivity (World Bank, 2008).

Governance affects agricultural productivity in many ways. Bad governance influences the taxes collected on manufacturing activities. Not only does it cause the accumulation of less efficient resources, but it also causes these resources to be used less and thus lower efficiency (Méon & Weill, 2004). In addition, agricultural production efficiency is affected by the qualities and quantities of public goods and services such as roads, irrigation systems, communication infrastructure, schooling, agricultural research and widespread programs (Bayyurt et al., 2015).

Agriculture and agri-food sector play a vital role in the European Union (EU) and Common Agricultural Policy (CAP) of the EU shapes the policies applied in agriculture, food, and rural development in the union (FAO, n.d.). CAP reforms and the EU trade policy helped turn the EU from net importer to the world's top exporter of agri-food products. The EU trade balance in agri-food is now positive, and this has been the case for the EU since 2010 (European Commission, 2016). In a context where 90% of the additional world demand for agri-food products over the next 10 – 15 years is expected to be generated outside Europe, exports to third countries will be instrumental to the growth of the agricultural sector (European Commission, 2016). This development underlines the increased competitiveness of EU agri-food products (European Commission, 2016).

Taking into consideration everything stated above, the topic of the paper research is extremely topical both because of its theoretical and practical value as the research presented in the article can be used by public administration bodies, politicians and decision makers of both EU and the rest of the world, big and small companies involved in the agricultural products trade, the EU international trade bodies as well as beginners and experienced specialists in data analysis. Taking into account the extreme topicality of the good governance principles as well as their implementation significance into all the spheres of any country functioning, the vital importance of the agricultural economy sector in general and the agricultural products trade in particular, the purpose of the article is to assess the impact of good governance on the agricultural products exports amounts of the EU.

Material and Methods

Data analysis is important in research because it makes studying data a lot simpler and more accurate. It helps the researchers straightforwardly interpret the data so that re-

searchers don't leave anything out that could help them derive insights from it (Amadebai, n.d.). The extra-EU agro exports amounts for 19 years, that is from the year 2002 to 2020 included, were analyzed in the paper. The data were taken from the official web page of Eurostat. As the beginning of the analysis and the basis for the further research, the simple statistics of the extra-EU agricultural products exports for the timeframe under analysis were calculated and presented in the paper. The general dynamics of the said exports, the differences of the exports from the previous periods and the percentage of the agricultural products exports from the extra-EU total agricultural products trade were analyzed using the tools of the univariate and empirical analysis as well as visualization ones. The projection of the exports amounts mentioned above for two periods was made using the polynomial function having chosen from the exponential, linear, logarithmic, polynomial and power ones. The choice was made judging by the R^2 coefficient values.

Analytics assist humans in making decisions. Therefore, conducting the analysis to produce the best results for the decisions to be made is an important part of the process, as is appropriately presenting the results (Inoue, n.d.). The research presented in the article can be used by public administration bodies, politicians and decision makers of both EU and the rest of the world, big and small companies involved in the agricultural products trade, the EU international trade bodies as well as beginners and experienced specialists in data analysis.

Results and Discussion

The European Union is one of the most outward-oriented economies in the world. It is also the world's largest single market area. Free trade among its members was one of the EU's founding principles, and it is committed to opening up world trade as well (European Union, 2021). **Good Governance** – the responsible conduct of public affairs and management of public resources – is encapsulated in the Council of Europe 12 Principles of Good Governance. The **12 Principles** are enshrined in the Strategy on Innovation and Good Governance at local level, endorsed by a decision of the Committee of Ministers of the Council of Europe in 2008. They cover issues such as ethical conduct, rule of law, efficiency and effectiveness, transparency, sound financial management and accountability (Council of Europe, 2021).

The EU uses the same set of foreign policy instruments to promote good governance across its external relations: political dialogue, (positive) conditionality and assistance. Moreover, EU policies focus on strengthening state institutions to increase output legitimacy and predominantly rely on in-

tergovernmental channels (Börzel et al., (2008). Given the limited progress in the multilateral trading system (WTO), bilateral agreements create opportunities for EU producers on global markets (European Commission, 2016). The principles of good governance are incorporated in many bilateral and multilateral agreements of the EU. For example, the Articles 22 and 69 of the European Union – Central America Association Agreement contain the Parties' recognition and commitment to common and internationally agreed principles of good governance in the tax area (SICE, 2012). Even more precise the commitment of the Parties to the principles of good governance either in the trade relations or in the overall countries' activities are described in the Article 30 of the Agreement mentioned above. The said Article states, that the Parties agree that cooperation in this field shall actively support governments through actions aimed at, in particular, respecting the rule of law; guaranteeing the separation of powers and an independent and efficient judicial system; promoting transparent, accountable, efficient, stable and democratic institutions, etc (SICE, 2012).

Another example, that testifies to the fact that the EU promotes the good governance principles in their foreign trade activities in general and agricultural products exports-imports in particular, is the New Partnership for Africa's Development (NEPAD), which was launched in 2001 as the pre-eminent vehicle to promote Africa's recovery. The European Union was active in its support, particularly vis-à-vis governance issues, stating that the EU 'finds that Africa's development efforts are best served by a greatly sharpened focus on NEPAD as the basis for partnership between Africa and the international community (Taylor, 2010).

To further continue the research, it should be reminded, that agricultural trade is the action of buying and selling agricultural goods and services. Where countries can produce a surplus, this can be traded for other goods and services (EUROSTAT, 2020). The EU's agricultural trade is a strong component of the overall trade with a positive balance and strategic importance (Ferrari et al., 2021). The EU's trade in agricultural goods doubled in 13 years to EUR 324.8 billion in 2019. The value of trade in agricultural goods accounted for 8.0% of the EU's international trade in goods in 2019 (EUROSTAT, 2020).

To assess the effectiveness of the good governance impact on the EU agricultural products exports in practice,
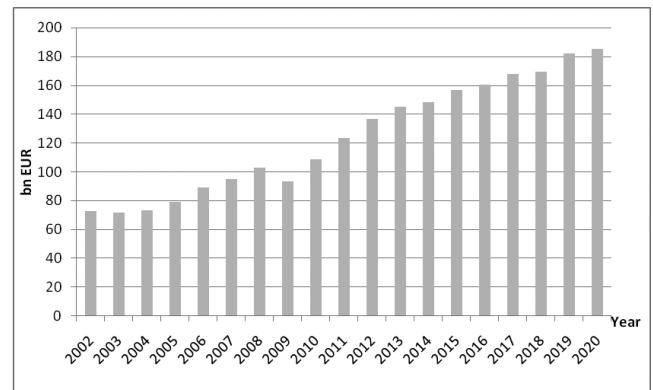

Fig. 1. Extra-EU agricultural products exports, bn EUR
Source: author's own elaboration on the basis of the data from (EUROSTAT, 2021)

let's analyze the dynamics of the said exports amount for 19 years, that is from the year 2002 to 2020 included. The extra-EU agricultural products exports dynamics for the time frame mentioned in the previous sentence can be followed in Figure 1.

The data under research visualized in Figure 1 are of general upward dynamics. Though, after having cast a closer look at them, we see that, actually, the data dynamics is not that homogeneous. It can be divided into two segments – the first one is from the year 2004 to 2008 included and the second one – from 2009 to the last year under analysis. In other words, the upward data dynamics can be divided into two segments, each of which is an upward one. The more detailed explanation will be given below with the further data under research visualization. To make the data analysis more complete, it should be said, that the smallest data value is observed in 2003 and the biggest one – in 2020. As the beginning of the analysis and the basis for the further research, let's follow the simple statistics of the extra-EU agricultural products exports for the timeframe under analysis in Table 1.

To better understand the data presented in Table 1, it should be explained that "N" stands for "Number of Observations", "Std Dev" stands for "Standard Deviation", "Sum" – for "Sum of Observations", "Minimum" – for "Minimum Value" and "Maximum" stands for "Maximum Value". The data from the table presented above may seem to say very little when taken alone, but when further expanding the research, they can be used for the further statistical analysis as

Table 1. Simple statistics of the extra-EU agricultural products exports

Analysis variable: extra-EU agricultural products exports					
N	Mean	Std Dev	Sum	Minimum	Maximum
19	124.2736842	39.6418247	2361.20	71.6000000	185.1000000

Source: author's own elaboration on the basis of the data from (EUROSTAT, 2021)

well as for the comparison with the values from other data sets. To further detail the research, let's take a look at the extra-EU agricultural products exports with their differences if compared to the previous periods presented in Figure 2.
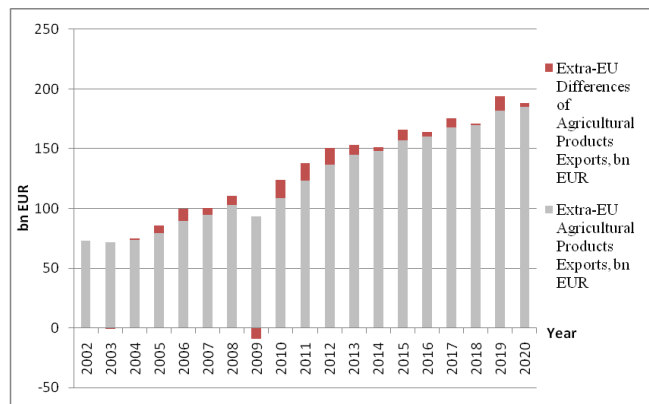

Fig. 2. Extra-EU differences of agricultural products exports, bn EUR
Source: author's own elaboration on the basis of the data from (EUROSTAT, 2021)

Having examined the data presentation in Figure 2, we see, that in all the years of the time frame under analysis the positive changes of the extra-EU agricultural exports amount can be observed, but for two and these two are the years 2003 and 2009. That is, only in the years 2003 and 2009 the extra-EU agricultural products exports amount decreased, to be precise – of 1.1 and 9.5 bn EUR respectively. That is the reason why the extra-EU agricultural exports dynamics was divided into two segments, meaning the year 2009 is the one in which the upward tendency of the data under analysis broke in the middle of the time frame under research. The explanation of this fact can be the influence of the global financial crisis of 2008, though the other reasons of the decrease can't also be neglected.

Let's further analyze the changes of the agricultural exports amount taking into account the good governance development and promotion in the EU. So, in 2003 and 2006, the European Commission issued two major communications on good governance and development that aimed at developing a common understanding of good governance and its promotion in all foreign policy frameworks of the EU (Börzel et al., 2008).

With the view of the last statement, let's see how the agricultural products exports amount changed – in 2004 we can observe the increase of the exports of 1.7 bn EUR (the increase is not that large, but that was the increase compared to the decrease in 2003) and in the following year the increase

was almost 3.6 times higher than that of 2004. The year 2006 was marked with the increase of the said exports of 10 bn EUR, but in the next year the amount increase was almost two smaller, while the following year it became 1.5 times bigger than that of 2007. Whether the fluctuations of the agricultural products exports were the result of the EU good governance promotion or the 2004/2006 enlargement rounds of the EU caused them can't be stated just like that. Most likely, the combination of the factors mentioned above influenced the said exports changes. To make the data analysis more complete, it should be added, that the biggest decrease of the agricultural products exports was in 2009, while the biggest increase of the mentioned exports could be observed in 2010.

As it was already mentioned in the paper, the EU became one of the leading agricultural products exporters with the course of time. So, let's see how the said exports percentage of the extra-EU total agricultural products trade changed during the time frame under analysis (Figure 3).
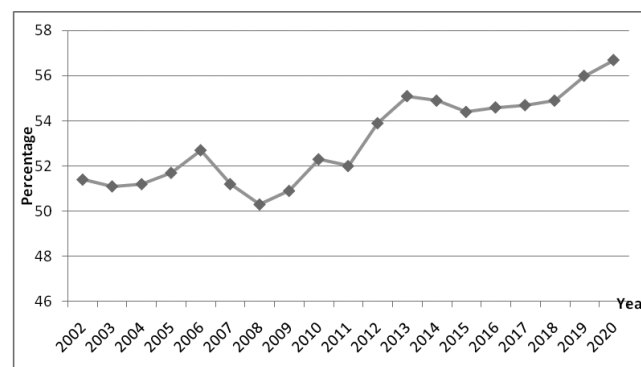

Fig. 3. Percentage of agricultural exports from the extra-EU total agricultural trade turnover
Source: author's own elaboration on the basis of the data from (EUROSTAT, 2021)

The visual presentation of the data under analysis is a powerful tool as it gives a researcher the opportunity to look at the data at another angle noticing the details unable to be seen before. Even a quick look at the figure given above gives us the strong impression of the visual data presentation to be concentrated near the number of 52 from the beginning of the time frame under research to the year 2011 included. The said year seems to be a turning point for the data under analysis as after the one the data dynamics starts to be concentrated around the number 55. Transferring everything stated above into the agricultural exports sphere, we can state, that from 2002 to 2011 included, the average percentage of the agricultural products exports percentage of

the extra-EU total agricultural products trade was around 52, while the one from 2012 to the end of the time frame under analysis – around 55. The conclusion about the positive agricultural products trade balance follows from the previous statement. That, in turn, confirms the fact about the exports oriented EU economy in general and agricultural sector in particular.

The presented research would be not complete, if we didn't try to make projections of the agricultural products exports for, two periods, at least (Figure 4).
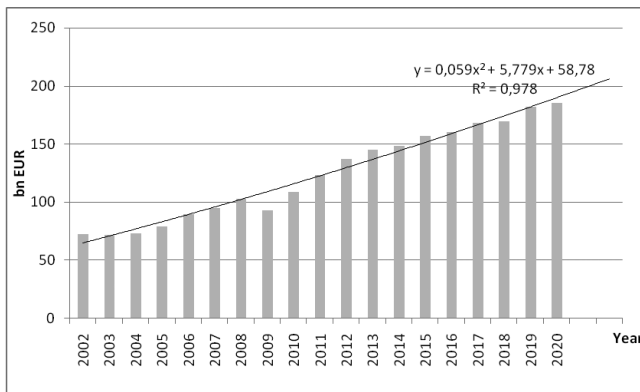
Fig. 4. Extra-EU agricultural products exports, bn EUR
Source: author's own elaboration on the basis of the data from (EUROSTAT, 2021)

The visual presentation of the data under research given in Figure 4 confirms the statement about the general upward trend of the analyzed data, expressed earlier in the paper. Though, there are two exceptions from the general upward trend, the trend line built for the data under research is upward through the whole time frame under analysis. The trend line for the said data was built with the help of the polynomial function, having chosen from the exponential, linear, logarithmic, polynomial and power ones. The choice was made judging by the R^2 coefficient value. Although, the R^2 coefficient value is only one of the criteria according to which the appropriate function should be chosen, this paper is not statistically oriented, that's why only one criterion was used to choose the appropriate function.

The fact, that the general data trend is upwards with only two exceptions, was not a positive factor for the appropriate function choice as three functions, namely the exponential, linear and polynomial had similar values of the R^2 coefficients. It should also be added, that the trend line continues its upward direction during two periods taken for the projection, which means, that the extra-EU agricultural products exports will increase during two more years after the time

frame under analysis, according to the projection made. On the one hand, the projection made above can be argued taking into account all the challenges we all are facing nowadays. But, on the other hand, the word population number is increasing as well as the need for food and therefore agricultural products, making the projection made very trustworthy. Only in the course of time the trustworthiness and precision of the projection made in the paper can be checked/confirmed/rejected.

Conclusions

It is essential that the institutions that govern economic and social interactions within a country fulfill a number of key criteria. These criteria include the absence of corruption, a workable approach to competition and procurement policy, an effective legal environment, and an independent and efficient judicial system. Moreover, strengthening institutional and administrative capacity, reducing the administrative burden and improving the quality of legislation underpins structural adjustments and fosters economic growth and employment (European Commission, 2014). Everything mentioned above is directly or indirectly incorporated in the principles of good governance. Support for good governance principles and improvement of public administration is one of the key objectives of the EU.

Support for good governance contributes to global sustainable development and to promoting the EU's medium- to longer-term economic and security interests. Support for governance reforms is therefore not only a question of the EU's values and whether the EU is a normative power; it is in the EU's own economic, security and political interest (Hackenesch, 2016). The EU supports good governance in many ways. That is, the Centre of Expertise has developed **toolkits to assist local authorities**, and in some cases central authorities, in living up to these principles and thus delivering better services to citizens. The European Label of Governance' Excellence (ELoGE) is awarded to local authorities having achieved a high overall level of good governance measured against the relevant benchmark (Council of Europe, 2021).

The quality of public administration has a direct impact on all the spheres of a country functioning. The public administration institutions delivering their services according to the good governance principles make such a negative and still powerful factor as corruption impossible to exist. The fact that corruption causes imposition of unpredictable taxes that harm the efficiency of production can be given as a striking example (Campos et al., 1999). Most resources in a society in which corruption is widespread are allocated to rents

rather than productive activities. Land management units are generally the government institutions where the highest degree of corruption is observed; and therefore they obstruct agricultural development (World Bank, 2008).

To check the hypothesis of good governance impact on the agricultural products exports, the extra-EU agro exports amount for 19 years was analyzed in the paper. The general dynamics of the said exports, the differences of the exports from the previous periods and the percentage of the agricultural products exports from the extra-EU total agricultural products trade were analyzed using the tools of the univariate and empirical analysis as well as visualization ones. The projection of the exports amount mentioned above for two periods was made using the polynomial function having chosen from the exponential, linear, logarithmic, polynomial and power ones. The choice was made judging by the R^2 coefficient value.

Drawing the conclusions from the research made in the paper, it was stated, that good governance has a positive impact on the extra-EU agricultural products exports. But, still, good governance can't be considered the only factor influencing the said exports amount having its place near the EU enlargement events, the impact of the CAP reforms as well as the impact of the global economic and social challenges. Having in mind the extreme importance of the agricultural sector successful functioning in general and the agricultural products trade in particular for the food security support, the politicians, businessmen, NGOs and other decision makers should be very careful while making decisions connected with the agricultural exports/imports activities as they directly influence the global population survival ability and therefore all the spheres of its life and functioning. And when we see, that the good governance principles promotion can increase the agricultural products exports, even if this impact is not immediate, we should do our best to support and promote the good governance principles to make the public administration institutions function more efficient and make the life of every single person better and safer.

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