

## On the reform debate over the EU Common Agricultural Policy

# Global responsibility – the neglected dimension\*

On November 18<sup>th</sup> 2010, the European Union Commissioner for Agriculture and Rural Development, Dacian Cioloș, officially submitted a communiqué proposing a reorientation of the Common Agricultural Policy (CAP) to the EU Parliament, the EU Council and the public. What does the proposal imply for global agricultural markets and international food matters? Some reflections.

By 2013, the EU will have to agree on the new multiannual framework for the EU budget for 2014 to 2020. The Common Agricultural Policy (CAP) still amounts to 47 percent of the EU budget (2010). Probably, no-one seriously believes that the 56.1 billion euros of the agricultural budget will pass without major cuts and priority shifts.

Perhaps this is all the more the case because the rationale for the bulk of CAP spending is increasingly being eroded. It has come in for much criticism for its failure to protect the environment, conserve nature and diversified landscapes, keep smallholders in rural areas, create rural employment, do no harm to rural development in developing countries, and prevent and counteract climate change.

---

### ■ The CAP and coherence with development policy

For a long time, the external compatibility check of the CAP has been

---

#### Rudolf Buntzel

Consultant for World Food Matters of the Protestant Church Development Service (EED)  
Berlin, Germany  
Rudolf.Buntzel@eed.de

limited to WTO rules. However, this is completely insufficient given today's and tomorrow's challenges to global responsibilities.

The new EU Treaty of Lisbon recognises and newly articulates the EU's global responsibility. Art. 3 (5) says: "In its relations with the wider world, the Union shall uphold and promote its values and interests and contrib-

ute to the protection of its citizens. It shall contribute to peace, security, the sustainable development of the Earth, solidarity and mutual respect among peoples, free and fair trade, eradication of poverty and the protection of human rights, in particular the rights of the child, as well as to the strict observance and development of international law, including respect for the principles of the United Nations Charters."



And Art. 21(3) requires that: “The Union shall ensure consistency between the different areas of its external action and its other policies”. This stipulates a clear obligation/mandate for the CAP reform to take careful account of the EU’s role in and impact on the world.

## ■ EU to become accountable on external impact of CAP

The EU has silently become the world’s biggest importer (88.2 billion euros) and exporter (67.7 billion euros) of food and agricultural products. This rather surprising fact demonstrates the following:

- The EU food and agricultural sector is highly integrated in the international market and its division of labour. The EU imports a large volume of agricultural raw material, such as protein feed, and mainly exports highly processed food, meat and milk products.
- The sheer magnitude of these trade flows induced by the EU definitely

has a substantial impact on the agricultural development of some of our trading partners.

- Through our food exports, we export lifestyles, eating habits, models of agribusiness, value chains, corporate involvement and technologies.
- Through our imports, we use large areas of land outside the EU, which might be in direct or indirect competition with local use of water and capital resources as well as local needs for domestic food supply.
- At the same time, and despite the high level of integration in global trade, the EU food sector is still being supported by a broad range of public policy interventions, such as in the areas of subsidies, tariffs, setting rules, standards and import restrictions: The “Producer Support Estimate” (PSE), as calculated by the OECD for 2008, was worth 103 billion euros, 36 billion of which is based on the import regime alone. A minor change of one of the EU policy goals or instruments might mean a major change to some of the EU’s trading partners who have become dependent on our demand or supply chains.

The EU has to recognise the global dimension of the external impact of CAP 2013, and the EU food and agricultural sector has to acknowledge its responsibility to contribute to the smooth development of global agricultural markets.

## ■ From less to non-trade distorting support

In principle, past CAP reforms have moved in the right direction with an

attempt to curb some of its negative trade effects. For instance, this is true for the shift from commodity support to direct payments, decoupling of direct payments, modulation, the introduction of the Second Pillar (falling under the Green Box measures in the WTO Agreement on Agriculture), or for the partial withdrawal of market intervention instruments (price guarantees, substantial reduction of export subsidies). The EU has gone a long way from being a major disturbing power in international agricultural trade to becoming a user of less trade-distorting instruments.

But there is no reason to want to stop or end efforts at this stage. Most of the reform steps taken to date are only “less trade-distorting” and are not yet fully neutral to trade. Particular policies may still have a major impact on unfair competition, especially for small and poorer importing economies. We can see, for example, that in West Africa, the affected sectors, such as dairy, poultry or pork, may be tiny, but small volumes of cheap exported commodities can easily wipe out a whole agricultural industry. Some of the policy instruments available in the Second Pillar may fall under measures in the WTO Green Box (considered as non-trade distorting subsidies) and may legally have become undisputable by present WTO rules. But in reality they constitute a single commodity transfer and are still trade distorting.

## ■ More subtle means of dumping

Next to direct money transfers, there is also the import regime of CAP that creates income transfers from consumers to producers by virtue of state intervention. The use of import tariffs or Special Safeguards against import floods keeps domestic prices at an unjustifiably high level, which in turn allows enterprises to invest in cross-subsidisation for the export of special parts of their produce that enjoy higher



Photo: laif

*In many African countries the local poultry markets suffer greatly because of subsidised EU exports.*





Photo: Bilderbox.com

consumer preferences elsewhere than at home.

CAP measures still constitute quite a considerable amount of commodity-specific support that is not decoupled. For instance, this is the case with beef, veal, milk, rice, sugar, pig meat, poultry, and tobacco. Obviously, these products should not be exported at all as long as they benefit from such commodity transfers. It is hypocritical for the EU to request protection for a specific commodity from import competition, justifying this with its industry's lack of competitiveness, while at the same time, the EU is becoming a major international exporter of the very same product, claiming its fair market share for its competitive products.

### ■ Granting rights of defence to affected importing development countries

The mechanism behind such hidden dumping procedures can be highly

complicated, and it is difficult for an affected country faced with import surges to provide evidence of dumping here. The responsibility to avoid any kind of dumping or trade distortion should be solely with the exporting country, in our case with the CAP. The EU should refrain from shifting its responsibility to the importing countries, blaming them for not applying trade defence measures against unfair trade flows, such as filing cumbersome anti-dumping cases or countervailing measures under WTO trade rules. This mechanism has to change in favour of the reversal of the Burden of Proof in specific situations and via an internal complaints mechanism.

### ■ Moving towards new protectionism

A strong emphasis of the new CAP is put on aspects of using food quality issues and value-added chains to segregate markets and improve the competitiveness of the European food

*Despite various reforms to the EU agricultural policy, the European dairy market still receives far-reaching support.*

economy. The standards involved will be set unilaterally and, often enough, discriminate against developing countries. If such an approach is combined with reshuffling the huge amount of state support in order to gain advantages for the EU's food industry and food traders, the CAP will move into a new dimension of closing market access to many smallholder producers in developing countries and into Technical Barriers to Trade.

### ■ Open-ended subsidising

Another missing development link in the proposal is that the CAP needs a mechanism to balance its internal domestic support system with international responsibility in times of high world market prices for agricultural products. The projections for long-

term market developments are that we have to reckon with rising agricultural prices. The trend in 2010 has confirmed this. When world market prices rise, the farmers benefit twice: from better returns in the market place and from the stable direct payments. Not only are the subsidies from a certain world market price level onwards any longer necessary in order to keep European farmers on the land, but they are becoming harmful for the competitors on the world markets. The question that the CAP reform has to come up with some answer to is: When is it time to step out of the massive amount of direct payments?

---

## ■ Land-grabbing by the EU: no end in sight

Meeting Europe's responsibility towards global food security is not so much a matter of raising its agricultural exports to developing countries in order to feed the hungry from our land. Instead, the EU has to acknowledge that the world is facing a problem because we cannot even feed ourselves from our own land.

A significant contribution to relieving part of Europe's strain on global farming land use would be to reduce its massive imports of animal feed from developing countries. The com-

muniqué only makes a brief comment on this issue. A study on "virtual land grabbing" of the EU food economy reveals the shocking facts about how much Europe is already living from land outside its territory. In 2007/2008, the virtual net import of land amounted to almost 35 million hectares. This is an increase of nearly 10 million hectares (40 %) in relation to 1999/2000. Thus, the EU is using approximately one third of its own utilised arable area outside its own territory, which is equivalent to the entire territory of Germany. These figures make it crystal clear that the EU cannot go on using other people's land and water resources to afford such a luxurious diet indefinitely. But the CAP Reform is keeping quiet on this issue.

---

## ■ Does the CAP Reform proposal fail on international relations?

In his concluding speech at the Civil Society Consultation in July 2010 on the direction of the CAP Reform, Commissioner Dacian Cioloş stated: "Europe must contribute to ensuring global food security – as complex a matter as that is – but it must not block the progress of the emerging agricultural sectors in developing countries."

But looking at the official communiqué of his Directorate for the CAP

Reform Proposal, the development dimension is almost completely missing.

---

## ■ Conclusion

In contrast to the political statements, the course of the CAP Reform seems to offer few promises that the impact of the EU's agriculture on developing countries will change for the better. The international challenges are not really spelled out well and incorporated. And while the concrete proposed changes may improve the internal social and environmental dimension of CAP, the policy remains essentially inward-looking and self-centred. Except for the aspect of climate change and WTO compatibility, there is no concern for international justice, global sustainability or world food security.

---

*\* The article is based on the analysis by APRODEV – Association of World Council of Churches related Development Organisations in Europe, of which the author had the lead in the drafting process. See: [http://aprodev.eu/files/Trade/2010\\_7\\_aprodev\\_cap\\_discussionpaper\\_july2010.pdf](http://aprodev.eu/files/Trade/2010_7_aprodev_cap_discussionpaper_july2010.pdf)*

*A full list of references can be obtained from the author.*

## Zusammenfassung

Die hoch kontroverse EU-Agrarpolitik muss reformiert werden; die Diskussion um den neuen Zuschnitt der Gemeinsamen Agrarpolitik ist auf vollen Touren. Aspekte der globalen Auswirkungen und internationalen Herausforderungen kommen dabei allerdings zu kurz. Es reicht bei weitem nicht, den Kompatibilitätstest mit den WTO-Regeln durchzuführen. Die EU ist inzwischen weltgrößter Agrarimporteur und -exporteur, wobei viele Warenströme politikinduziert sind. Es bleibt nicht aus, dass Änderungen der EU-Agrarpolitik Auswirkungen auf unsere Handelspartner haben. Betroffen sind besonders die Entwicklungsländer. Hier muss die EU ihre internationale Verantwortung akzeptieren. Brisant sind dabei vor

allem die Rolle der EU-Agrarexporte, der Flächenrucksack im Ausland, die Standardsetzung als technische Handelshemmnisse und die Frage der Agrarsubventionen in Zeiten hoher Agrarpreise.

## Resumen

La política agrícola de la Unión Europea (UE) da lugar a muchas controversias y necesita reformarse. Actualmente, el debate sobre un nuevo concepto para la Política Agrícola Común está en pleno auge. Sin embargo, no se está dando la debida consideración a los aspectos relacionados con impactos globales y desafíos internacionales. No basta en absoluto efectuar una prueba de compatibilidad con las normas de la OMC. Hoy en día, la UE es la

importadora y exportadora más grande del mundo de bienes agrícolas, y varios de los flujos de productos primarios son inducidos por las políticas. Es inevitable que los cambios de la política agrícola de la UE tengan un impacto sobre nuestros socios comerciales. Los países en desarrollo se van a ver particularmente afectados. Aquí la UE debe aceptar su responsabilidad internacional. En este contexto, los temas particularmente candentes incluyen el rol de las exportaciones agrícolas de la UE, los intentos de apropiación de tierras en los países de ultramar, la definición de estándares que equivalen a obstáculos técnicos al comercio y el aspecto de los subsidios agrícolas en épocas de precios elevados de los productos agrarios.