

## **Civil Society Statement on the international responsibility of CAP CAP Advisory Group on International Aspects, 12 March 2012, Brussels**

15 February 2012

To be recognized and supported by EU citizens-taxpayers and by third countries, the Common Agriculture Policy (CAP) of the European Union (EU) should have a high level of social, environmental and international legitimacy. In this statement, we will focus only on the international aspects, which have played an important role in the shaping of the CAP during the last decades.

In coherence with the Uruguay Round of the GATT negotiation in 1986-1993 and the final GATT/WTO agreement signed in 1994, the EU started in 1992 to reform the CAP along the new GATT/WTO framework, with new steps in 1999, 2003, 2008. The legislative proposals for the next CAP 2014-20 are now on the table.

Before 1992, voices had been raised from around the world to blame the EU for exporting too cheap agricultural products to third countries, using export refunds to compensate the price difference between the EU and international markets. The EU was exporting products at prices below their European costs of production, contributing to the ruin of producers in Southern countries, and representing unfair competition for the CAIRN group countries.

Since the costs of production in the EU were above international market prices, the EU had to choose between curbing export orientation and focusing mainly on the EU market, or to find another way to export. Despite the fact that the EU was already one of the biggest feed and food importers, unfortunately it chose to continue its export orientation and negotiated together with the USA a new way to do it without export refunds: this was the key element of the WTO agreement. Export has then been allowed without limit provided that the agricultural support is decoupled from the production and enters the so-called "green box". The CAP reforms, step by step, shifted indeed the most part of the CAP support into the green box (decoupled direct payments of the first pillar, decoupled payments of the second pillar).

Does this mean that the CAP is thus clean from distortive instruments?

For producers in third countries, it is not important to know which box corresponds to which CAP subsidy. However, it is essential for them to know if the price of import is lower than the costs of production. The result of the CAP reform process did not change the low price of EU export: it just changed how the support is listed in the WTO agreement. In that sense, the EU continues to export agriculture products at prices below European costs of production. There are still some export refunds (see below) that the EU uses in the dying Doha Round as tools for negotiation, but the main part of the problem comes now from exported products coming from EU farms benefiting direct payments.

In addition, since 1992, the CAP and the WTO have been allowing the downstream sector (agro-industry, retailers) to buy European agricultural products at prices below their costs of production, and export companies to export them. Thus, the downstream sector benefit also, indirectly, from the direct payments, which allow farmers to sell their products below the production costs.

**The international legitimacy of the CAP is therefore still questioned and the CAP reform proposal for 2014-2020 does not tackle this issue adequately.**

The EU must recognize that the rising global demand for food does not legitimize subsidizing European exports. The objective is not for the EU to "feed the world". On the contrary, the Union's agricultural and trade policies must enable developing countries' to feed themselves, and respect and protect the human right to food.

The current international trade rules (WTO agreement 1994) must also be changed so that exporting products at prices below their production costs is no longer authorized, and that Southern countries are allowed to protect their markets from too cheap imports.

Given that the EU is the first food importer and imports huge inputs for producing and exporting, and given that the global environmental and climate crisis requires decreasing international transport and focusing on regional trade, to set export as a priority of the CAP to fulfill an objective of “competitiveness” on the global market, should not be maintained.

### **EU support for Export**

The EU needs to reconsider whether the current export orientation is the best strategy to respond to the challenges facing European agriculture.<sup>1</sup> Emphasis should be shifted to supporting EU family farms to supply the EU market and to ensuring commitment to refrain from commodity exports which benefit from support and protection measures.

At present, one per cent of the CAP budget is allocated to export refunds, which represents about 430 million Euro. Although a small share, it is still a considerable amount and is equal to about 30 per cent of what the EU has invested in food security and rural development under its development policies in 2010. The legislative reform proposal makes no reference to the fact that the EU has made a commitment to phasing out all export refunds by 2013.<sup>2</sup>

### Recommendations:

In addition to respecting the right of developing countries to shield and develop their domestic production, the EU should prevent that any product is exported below the European costs of production. In order to do so, if an exported product has benefited from support, the value of the support should be added to its export value.

Moreover, the EU must honour its commitment to phase out all export subsidies made at the WTO Ministerial in Hong Kong 2005, even if the Doha Round is not concluded.

To limit damage if export refunds were not abolished, exports must be excluded to any countries where the production of the specific product is important for food security and livelihood. The proposed list by the Commission of aspects to be taken into account when export refunds are decided upon refers only to the situation within the EU (Art. 4, CMO proposal). The specific situation of the respective importing countries must be taken into consideration on this list.

### **Protein dependency and crop rotation**

The EU should use the CAP to drive a transition to sustainable and climate resilient agriculture in Europe. The EU should also contribute to this transition worldwide, to the degree that the CAP influences agricultural practices and agricultural research and land use changes in other countries.

### Recommendations:

We call on the EU to decrease the high dependency (80%) of the EU livestock sector on soy imports from Latin America as stated in the 2011 EP Resolution on food security, Article 72: “The Commission should support protein crops in the EU so as to give the Union greater autonomy, thus contributing to the diversification of agriculture in the developing countries”<sup>3</sup>. The huge expansion of intensive soy monoculture in Latin America, which is destroying the environment and grabbing land of indigenous people, should be stopped. In Europe, the massive soy import is related to the industrialisation of meat, milk, egg production, which engenders high environmental and social costs.

To increase biodiversity and to reduce dependency on soy import, a mandatory crop rotation, including leguminous crop - whenever agro-climatic conditions allow it-, should be introduced. Legumes produce plant protein and fix nitrogen in the soil, further reducing the use of nitrate fertilizers. Moreover, the proposed rule

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<sup>1</sup> <http://eu-rlex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2010:0672:FIN:en:PDF>

<sup>2</sup> In the report on EU policy framework to assist developing countries in addressing food security challenges (2010/2011 INI) the Parliament has demanded that EU phase out export subsidies and remove all other incentives in the CAP which result in trade-distorting measures.

<http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P7-TA-2011-0410+0+DOC+XML+V0//EN&language=EN>

<sup>3</sup> EP Resolution of 27/9/2011 on an EU policy framework to assist developing countries in addressing food security challenges (2010/2100(INI)) <http://www.europarl.europa.eu/sides/getDoc.do?type=TA&reference=P7-TA-2011-0410&language=EN&ring=A7-2011-0284>

for crop “diversification” allowing one crop to cover up to 70 percent of arable land of the farm is far too weak. It should be ensured that a farm cultivates at least three crops with the dominant crop not covering more than 50 percent on the farm area.

Addressing in a coherent manner the issue of European high dependency on soy imports also requires putting in place incentives for leguminous crops through specific measures in the 2<sup>nd</sup> pillar of the CAP that would support knowledge exchange, breeding programmes, etc. Moreover, tariffs applying to soy imports, which are missing since the beginning of the CAP, should be put in place.

In addition to these recommendations, the new CAP legislation shall refer explicitly to the principle of Policy Coherence for Development (PCD) enshrined in the Lisbon Treaty art. 208. The legislation should also contain obligations to monitor the impacts of CAP on food security and agriculture in developing countries on an ongoing basis. It should involve all the relevant stakeholders and, especially, family farmers’ organization from developing countries. In case of incoherence with development, corrective actions must be decided.

### Co-signing organisations



*CONCORD is the European NGO confederation for relief and development. CONCORDs 26 national associations and 18 international networks represent over 1,600 NGOs which are supported by millions of citizens across Europe. CONCORD leads reflection and political actions and regularly engages in dialogue with the European institutions and other civil society organizations.*

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