

**The EU's common agricultural policy (CAP)**  
**Ensuring the EU's development and agricultural policies evolve together<sup>1</sup>**  
[Comments by Jacques Berthelot (jacques.berthelot4@wanadoo.fr), Solidarité, January 17, 2015]

**Foreword**



The year 2014 has been a momentous year for the common agricultural policy (CAP) and for agricultural trade relations with our partner countries in the African, Caribbean and Pacific (ACP) group of states. We have seen the beginning of the implementation of the CAP reform and successfully concluded economic partnership agreements (EPAs) with many ACP countries.

[Do not go too fast: they are not finally concluded and they would be a success only in the short term for the EU exporters but a disaster for the ACP countries].

Agriculture is central to the EPAs: 60 % of the population of sub-Saharan Africa rely on farming for their livelihoods and it is the key sector for economic growth in the least developed regions.

The EPAs have been crafted to boost regional trade

[Nothing is further from the truth since the opening of 82% of the West African (WA) market, without customs duties (CDs), to EU exports, will ruin the already low competitiveness of WA businesses and thus destroy the already weak regional integration.],

open EU markets

[This EU opening to WA exports is already 100% effective but will instead shrink because of other free trade agreements (FTAs) that the EU has entered into since 2013 with the Andean countries (Colombia, Peru, Ecuador and 6 countries from non-ACP Central America), that it has virtually concluded with Canada (CETA) and would probably conclude with the US (TTIP), not to mention all the other countries with which the EU is negotiating FTAs, so that the WA products (as those of the other EPAs) will be less competitive on the EU market.]

and allow developing countries to protect sensitive sectors from the effects of liberalisation, especially in agriculture.

[Unfortunately this is not the case for the WA EPA since CDs on cereals and milk powder are already ridiculously low (5% ad valorem, except 10% on rice) to 0% (rice will stay at 10%) at the beginning of the liberalization (in 2010).]

We have also agreed to far-reaching policy dialogue and cooperation with our partners, including the commitment to forego any potential use of export refunds on products exported to African countries participating in the comprehensive EPAs.

[Shameless lie because the EU maintains against all odds the idea that only the export refunds have a dumping effect but not domestic subsidies, let alone the decoupled SPS (single payment scheme), now replaced in the new CAP from January 2015 on, by the BPS (basic payment scheme). Yet the Appellate Body of the WTO Dispute Settlement Body has ruled on 4 occasions since 2001 that domestic support benefiting exported products have a dumping effect, including the US fixed decoupled direct payment for which it held in March 2005 that it was coupled and could not be notified in the WTO green box, even if the EU has been notifying its SPS in the green box since 2006, illegally in relation to WTO case law.]

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<sup>1</sup> <http://bookshop.europa.eu/en/the-eu-s-common-agricultural-policy-cap--pbKF0214588/?pgid=Iq1Ekni0.11SR00OK4MycO9B0000DBul-MaJ;sid=LEmx2Q930AOx21vOEU8vfm1SYsqvq0IUMjs=?CatalogCategoryID=un8KABstLQ4AAAEjIYcY4e5K>

These EPAs are an example of how policy coherence with development objectives — a key topic of this publication — is given practical effect.

[Indeed they are a very good example of the incoherence of the EU policies since the EPAs are promoting underdevelopment!]

The year 2015 promises to be another crucial year for agricultural and development policy. The CAP and agricultural trade policy will continue to align closely with development policy and ensure that market access to the EU can be a motor for agricultural investment and growth in developing countries.

[Lie: the CAP and the EU agricultural trade policy were designed without any concern about their impact on developing countries, the only goal being to maximize the interests of the largest farms and EU agribusiness.]

In addition, the global community intends to finalise the new sustainable development goals, and their means of implementation, that will guide policy decisions after 2015. We can expect agriculture, food and nutrition security to be at the heart of this exercise. The year 2015 is the European Year for Development and also the year in which the EU will feature at the Milan Expo on the theme of 'Feeding the planet, energy for life'.

[That's it: the CAP is designed on the idea that the EU has the calling to "feed the world" although they are in fact the developing countries (DCs) that nourish the EU. According to Eurostat the EU balance of agricultural trade (as defined in the Agreement on Agriculture of the WTO) plus the trade in fish (and preparations) has had an average deficit of -11.960 billion euros (€bn) from 2007 to 2013, of which -€14.088 bn in fish, even if there was for the first time a surplus of € 3.794 bn in 2013 (despite a deficit of -€15.238 bn in fish). But without the balance of beverages – which are not basic food to feed the world and which has averaged €14.888 bn, of which €19.669 bn in 2013 – the EU agricultural deficit (excluding beverages) + fish would have been substantial and structural: of -€26.847 bn on average, of which -15.874 bn € in 2013.

If we now consider *food* trade within the meaning of the WTO – classes 0, 11, 22 and 4 of the SITC nomenclature, which does not include non-food agricultural products – the EU balance was negative on average of -€15.972 bn from 2007 to 2013, of which -€2.860 bn in 2013 and, if we remove the beverages, the deficit has averaged -€30.848 bn, of which -€22.408 bn in 2013.

Moreover, as the EU has a structural surplus in its agricultural and food trade with the developed countries – defined as encompassing Australia + Canada + Japan + New Zealand + Norway + Switzerland + USA + Russia – the deficit with DCs is even greater: -€30.172 bn on average from 2007 to 2013 of which -€18.253 bn in 2013 for agricultural products + fish and, without beverages, of -€35.479 bn on average of which -€25.979 bn in 2013; and, for the food trade, the deficit with DCs countries has averaged -€30.887 bn, of which -€21.239 bn in 2013, and, without beverages, it has averaged -€36.195 bn, of which -€28.660 bn in 2013.]

There is a tremendous need and opportunity for agricultural development in Africa and a recognition by the EU and the African Union that agriculture must be at the core of Africa's economic transformation. This momentum needs to be led by investment from the private sector, including from EU firms and particularly small and medium-sized enterprises.

[No, they should not! The EU, and more generally foreign, companies that invest in Sub-Saharan Africa do so only to make profits through exports, not to ensure regional food security and to increase farmers' jobs. And we know the major negative role played by Robert Fabre – owner of 100% of the Compagnie Fruitière since January 2014 when he bought the 40% stake owned by Dole – in the pressures exerted on Ivory Coast to impose the signing of the WA EPA. He exports 210,000 tonnes of bananas and 30,000 tonnes of pineapple from Ivory Coast through the subsidiary Société de Culture Bananière

(SCB), the largest private employer, plus 50,000 tonnes of bananas and 10,000 tonnes of pineapple from Ghana, not to mention the 130,000 tons of bananas and 10,000 tonnes of pineapple from Cameroon (which explains its ratification of the Central African countries' EPA). Robert Fabre owns also the banana cargoes which export the fruits to Europe. He pays regular visits to the presidents of Ivory Coast, Ghana and Cameroon. He accompanied François Hollande during his visit to Alassane Ouattara on July 17, 2014, Ouattara who chaired the ECOWAS' Heads of States Council from February 2012 to March 2014. Robert Fabre succeeded in obtaining from the Ivory Coast's government not to pay tariffs on his imports of fertilizers and pesticides for his fruits plantations and he even received subsidies to expand his plantations in the North of Ivory Coast. He is also Honorary Consul of the Ivory Coast in France. And this not to mention the pressures exerted on the governments of Ivory Coast, Ghana and Cameroon by other equally famous Bolloré (who runs the main harbour infrastructures of these countries), Mimran (who owns the Grands Moulins d'Abidjan and Grands Moulins de Dakar and the Compagnie Sucrière du Sénégal) and their likes.]

I look forward to this challenging period and I look forward to engaging with the international community to highlight the EU success stories in agricultural and rural development that could be adapted to the realities of developing countries.

[It is doubtful that agricultural unions representing peasant agriculture, such as those affiliated to the European Coordination Via Campesina, the Confédération Paysanne in France, share the assertion that the CAP would be a model for African peasant farmers (and of other DCs), given the increasing industrialization of European agriculture, the massive eviction of peasants jobs, its role in the degradation of the environment, its dumping effects on Southern agriculture and its responsibility in the agro-export orientation of these countries, especially to feed the European livestock.]

On the other hand a positive teaching that DCs could draw from the CAP policy is the fact that the EU has used a very effective import protection – especially through variable levies until 1992, and which are still there for several cereals and many fresh fruits and vegetables although banned by the WTO –, a protection which remains very high for its basic food products (cereals, sugar, meat and dairy products), but it is obvious that, with the EPAs and other FTAs more generally, the EU is now prohibiting the DCs to use these tools that have been so effective in increasing its own agricultural production.]

Phil Hogan, Commissioner for Agriculture and Rural Development

In accordance with the concept of policy coherence for development (PCD), the EU is committed to taking into account the impact of all EU policies — whether domestic or external — on developing countries and to strive to minimise inconsistencies and, wherever possible, maximise synergies.

® The EU's commitment to PCD is set out in Article 208 of the Treaty on the Functioning of the European Union — making the EU the only political entity to have this commitment enshrined in its fundamental law.

[So what since the EU violates brazenly this commitment ?]

® The requirement to assess the possible impacts of EU initiatives on developing countries from a PCD perspective has been included in the Commission's impact assessment guidelines since 2009.

[But these impact analyzes are very poor as shown in the one conducted by Ecorys in 2009 for the EU-India FTA that has not even discussed the two key agricultural areas where the EU seeks to dismantle the Indian CDs: dairy products and wines and spirits. This willingness to dismantle the protection of Indian dairy products is particularly unfair given that the EU CDs on dairy products are much higher than

those of India, where they are mainly of 30% (except 60% on concentrated milk) and the dismantling would have catastrophic economic and social consequences since India is the world's largest producer of milk: 122 million tonnes in 2011 by 75 million small producers, 80% of whom are women, with an average of 1.1 cow or milk buffalo, with an annual yield of 1473 liters, plus about 15 million jobs in the rest of the dairy chain, especially at the milk collection and retail levels. As for wines and spirits India is indeed using prohibitive CDs, of 150% in general, but it is fully justified to maintain high CDs on products that can be considered as luxury in a country that has the largest number of poor and hungry people in the world, despite its status of emerging country.]

® The European Commission publishes biennial reports assessing its policies from a PCD perspective. The last report was released in October 2013. The next report is due by the end of 2015.

® Global food security is one of five PCD priorities, so it is an important area for the common agricultural policy (CAP).

® Previous CAP reforms have significantly improved policy coherence, and the 2013 reform consolidated this direction, for example by refraining from the use of export subsidies.

## **1 - Policy coherence for development in the EU**

The commitment to PCD was embedded in the 2005 European consensus on development<sup>2</sup>. Since then, PCD has become a key pillar of the EU's efforts to maximise the impact of its development assistance, leveraging benefits from, and creating synergies with, non-development policies, where possible. As part of this commitment, the European Commission was tasked to monitor PCD progress in the EU and all its Member States and to produce a report every 2 years. The latest of these reports was published in 2013<sup>3</sup>.

Another tool that the Commission uses to promote PCD is the preparation of impact assessments<sup>4</sup> during the design phase of EU policy initiatives, which evaluate, among other things, the expected impact of a proposal on developing countries.

Implementation of the EU's PCD approach requires active participation from a number of institutions and Member States, and is strengthened by feedback from external actors and stakeholders, as shown in Figure 1 from a number of institutions and Member States, and is strengthened by feedback from external actors and stakeholders, as shown in Figure 1.

## **2 - Policy coherence for development priority areas**

Food security is one of the world's major development challenges given increasing global food demand and the considerable uncertainty of supply as a result of unpredictable economic, climate, geo-political and animal health developments, among others

Since 2009 the EU's PCD efforts have been focusing on five priority areas to promote a more result-oriented approach. These are: trade and finance, climate change, global food security, migration and security. These areas are strongly interlinked, posing a challenge both for the implementation and monitoring of PCD.

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<sup>2</sup> [http://ec.europa.eu/development/icenter/repository/european\\_consensus\\_2005\\_en.pdf](http://ec.europa.eu/development/icenter/repository/european_consensus_2005_en.pdf)

<sup>3</sup> <https://ec.europa.eu/europeaid/node/45425>

<sup>4</sup> Before the European Commission proposes a new policy or initiative, it evaluates the potential economic, social and environmental consequences through an impact assessment. Where possible, this seeks to quantify what the expected impacts will be in order to inform a final policy decision. In the last revision of the Commission's impact assessment guidelines in 2009, a new section was included on assessing impacts on developing countries.

### 3 - Policy coherence for development and trade

The EU is one of the world's most open markets to imports of farm products from non-member countries and it is the top importer of agri-food products from developing countries (using the World Bank definition) and from the least developed countries (LDCs) (using the UN classification covering 48 countries). On average, over the years 2011 to 2013, 2.8 % of EU imports came from LDCs (EUR 2.8 billion per year). The value of this trade is four times as high as the corresponding value of the agricultural imports of Canada, the United States, Australia, New Zealand and Japan taken together, for whom imports from LDCs account on average for 0.4 % of their total imports<sup>5</sup>.

[Instead of considering the EU agri-food imports from developing countries as an engine of development the European Commission should recognize that these exports went hand in hand with their growing food deficit, particularly vis-à-vis the EU as was shown above. And, instead of congratulating itself of its Decision "Everything But Arms" to import duty free and quota free all LDCs' products, including food, it should know that all LDCs recorded a global food deficit which increased from €6.442 bn in 2007 to €12.445 bn in 2011 and a global agricultural deficit increasing from €9.091 bn in 2007 to 16.070 bn € in 2011. Even if all LDCs negotiating EPAs with the EU have had a modest food surplus of €378 million with the EU28 in 2013, but without Bangladesh, Angola and Timor Leste (but Haiti is counted although it is not part of the Cariforum EPA).

Let us remember that, two months after the EU Decision "Everything But Arms", the Via Campesina and ROPPA had issued a joint prescient statement on May 17, 2001 where they stated:

*"The export of European surpluses to LDCs at much lower prices than their levels in Europe and in LDCs have ruined the production of the LDCs.*

*The EU's decision to open duty free its agricultural market to LDC products is the opposite of a solution for these countries. It is made rather to justify the market penetration of LDCs by EU exporters than to give a real chance to LDC farmers to sell their products in Europe.*

*For the Via Campesina and the Network of Peasant and Agricultural Producers in West Africa (ROPPA), priority should be given to a healthy, good quality and culturally appropriate food production for the domestic market of each country and for the sub-regional or regional markets of each region in the world.*

*The priorities of farmers and their families in LDCs is first to be able to produce for their families and to have access to the domestic market before exporting. The European decision will instead reinforce the benefits of large firms using the resources and labor of LDCs to export crops to the EU. This will decrease the resources and manpower devoted to food production for farmers and urban families in each country, increasing food insecurity"<sup>6</sup>.*

### 4 – The common agricultural policy and Policy coherence for development

With the global population expected to increase to over 9 billion by 2050, substantial increases in agricultural production and productivity are required. It is important that the efficient and productive agricultural sector in the EU is maintained, to contribute to securing supplies in the EU and to minimising excessive price volatility and price shocks. The agricultural sector in the EU also has an important role to play in maintaining an open trading system and in sharing innovations, good farming techniques and sustainable practices with other regions.

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<sup>5</sup> [http://ec.europa.eu/agriculture/trade-analysis/map/2014-1\\_en.pdf](http://ec.europa.eu/agriculture/trade-analysis/map/2014-1_en.pdf)

<sup>6</sup> [http://www.dakardeclaration.org/spip.php?page=art-seminaire&id\\_mot=41&id\\_article=74](http://www.dakardeclaration.org/spip.php?page=art-seminaire&id_mot=41&id_article=74)

The CAP plays an important role in EU agriculture, and its coherence with food security objectives, and PCD more widely, is essential. It is also an example of where critical progress has been made on PCD, via the reforms of the last 20 years.

The CAP's contributions to food security mean that pursuing PCD in the CAP entails ensuring that food security is assured for citizens in the EU, and that the approach adopted actively seeks to benefit the global community — particularly developing countries — as much as possible and avoid doing harm.

## **5 – Evolution of the common agricultural policy**

In the past, certain instruments of the CAP were criticised from a PCD perspective, in particular market support, intervention and export subsidies. Criticisms were also levelled at the lack of environmental sustainability and the biofuels policy, particularly as regards perceived links to indirect land-use change.

The criticisms on market support and intervention have been taken into account in successive reforms, which have reflected the unfolding needs and challenges of the times and steered its orientation towards more coherent and efficient policies and away from trade-distorting principles and instruments that could place strains on developing countries' agricultural development and growth.

The 2013 reform continued in the spirit of market orientation and maintained a focus on development coherence. The reform process itself was inclusive and transparent, with public consultation and ongoing engagement with stakeholders, to ensure all views were heard and taken into account.

As a result of this process, many elements have been introduced into the CAP that make it more compatible and coherent with the Union's development objectives.

### **(i) Minimizing market distortions**

The most dramatic change to the CAP over the past decade has been the movement away from 'coupled' support (support tied directly to the production of particular products). Currently, most direct support is non-trade distorting, i.e. decoupled from production. The 2013 reform has consolidated this approach.

### **(ii) Refraining from the use of export subsidies**

For the last two decades the systematic use of export refunds (a form of subsidy designed to bridge the gap between higher EU prices and lower world prices) has gradually decreased. Since July 2013, no agricultural sector has benefited from these. Since January 2014, export refunds have only been able to be used as an exceptional measure in periods of market crisis. In January 2014<sup>7</sup> the Commission went a step further, proposing to end the use of export refunds for all products exported to African countries entering into a full economic partnership agreement (EPA)<sup>8</sup> with the EU.

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<sup>7</sup> [http://ec.europa.eu/agriculture/newsroom/157\\_en.htm](http://ec.europa.eu/agriculture/newsroom/157_en.htm)

<sup>8</sup> Economic partnership agreement (EPA): a free-trade and development agreement between the EU and a regional group (the groups are self-selected) of ACP partner countries, giving preferential trade access (normally duty-free, quota-free to the EU) and development cooperation that is tailored by region. EPAs go beyond conventional free-trade agreements, focusing on ACP development, taking account of their socioeconomic circumstances and include cooperation and assistance to help ACP countries implement the agreements (<http://ec.europa.eu/trade/policy/countries-and-regions/development/economic-partnerships>).



[Note already the contradictions of this paragraph in the 2nd sentence stating that there has been no export refunds since July 2013 – there were a total of €61.147 million for 2013 without knowing for which months – and the 3rd saying that since January 2014 they "*could be used only as an exceptional measure in times of market crisis*" while the 4th sentence is even more revealing, waving as a threat that only countries that joined a comprehensive regional EPA would be spared to import products benefiting from refunds!

We will not go back on the EU recurring lie saying – contrary to the WTO jurisprudence – that domestic subsidies, including the decoupled SFP, have no dumping effect. Solidarité has shown that the EU dumping on its exports of cereals, meat and dairy products was of €5.453 bn in 2013 (after €4.907 bn in 2012), of which €813 million to ACP countries negotiating EPAs (€750 million in 2012), of which €414 million to West Africa<sup>9</sup>.]

### **(iii) Sustainability as a central component of the common agricultural policy**

EU consumers expect the produce they purchase to meet high standards, as much in environmental credentials as product quality. It would therefore be counter-productive for the CAP to support environmentally unsound practices. Using the instruments of the CAP, the EU ensures that environmental conditions and incentives are in place to promote sustainability.

The new CAP strengthens instruments to address environmental concerns, including the addition of environmental criteria to support under a ‘green direct payment’, covering 30 % of the new direct payments. In addition, at least 30 % of rural development financing is allocated for measures and projects that are beneficial to the environment and address climate change.

This means that a substantial share of the CAP’s budget both for direct payments and rural development will contribute to the protection and preservation of the environment. Efforts to improve the environmental footprint of the EU agricultural sector have been underway for years, and thanks to more sustainable practices, such as enhanced efficiency in fertiliser use, greenhouse gas emissions from agriculture in the EU decreased by 24 % in the period 1990–2012<sup>10</sup>.

### **A soft landing for ACP sugar producers on the termination of EU sugar production quotas**

The 2013 CAP reform stipulated that sugar quotas would expire in 2017, completing the reform of the sugar sector initiated in 2005. Recognising the likely needs of 18 former ‘sugar protocol’ countries in the ACP region<sup>11</sup> to adapt to the new market conditions created by the reform and the end of the preferential access to its sugar market, the EU committed to accompany the adaptation process through development assistance, amounting to EUR 1.25 billion over the period 2006–13. EU assistance was aimed at strengthening the competitiveness of the sugar sector, where this was a sustainable process, at supporting the development of alternative activities (diversification) and at mitigating broader impacts. In addition, the EU ensured duty-free and quota-free access for all goods, including sugar, under the EPAs.

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<sup>9</sup> [http://www.solidarite.asso.fr/Articles-de-2014,684?debut\\_documents\\_joints=30#pagination\\_documents\\_joints](http://www.solidarite.asso.fr/Articles-de-2014,684?debut_documents_joints=30#pagination_documents_joints)

<sup>10</sup> <http://www.eea.europa.eu/data-and-maps/indicators/greenhouse-gas-emission-trends-5/assessment>

<sup>11</sup> [http://ec.europa.eu/europeaid/node/13928\\_en?language=en](http://ec.europa.eu/europeaid/node/13928_en?language=en)

The deadline for this adaptation of 1 October 2015 was clearly stipulated in the regulation, allowing sufficient time for reform. Furthermore, in the recent CAP reform the deadline for the quota expiry was extended by another 2 years to 2017, giving even more time to adapt. Many of the affected countries, such as Mauritius, Jamaica and Swaziland, used this money effectively to restructure their sugar industries and diversify local sugar-dependent economies, as a result of which they should now be competitive in global markets when the EU's internal production quotas are eventually withdrawn.

Sugar imports from ACP countries and the least developed countries (LDCs) have gone up from an average of 1.5 million tonnes before 2006 to a level of 2.2 million tonnes in 2013/14. Many ACP countries have thus benefited from the EU financial support and more importantly have created conditions that have strengthened their sugar sectors.

## **6 - Promoting development in trade agreements: the economic partnership agreements**

The EU is committed to helping developing countries integrate into the world's trading system and share in the benefits of the global economy. International trade is a key element on the path to sustained economic growth and development.

[Another huge untruthfulness since the World Bank data show that the more countries are developed, the less their integration into the world market, reflected by the ratio (exports + imports) divided by 2 GDP: in 2006 this ratio was of 13.50% in the USA and Japan, 14.30% in the EU, 23.50% in India, 24.50% in Latin America, 27% in world average, 29.50% in LDCs, 32.50% in developing countries of low and middle income and 34.50% in sub-Saharan Africa. Only China, which had become the industrial workshop of the world and had abandoned its domestic market, was an exception with 36%.]

As a result, the EU has given long-standing preferential market access for products from developing countries, which have been substantially deepened over time. Under the 'Everything but arms' initiative, LDCs are given duty- and quota-free access to the EU market. Under EPAs, ACP countries (except South Africa) will enjoy full duty- and quota-free access for their products to the EU market.

The EPAs leave ACP countries sufficient policy space to enhance their agricultural production and to strive towards the eradication of poverty. To help with this, the EU applies asymmetry to market access, allowing up to 20 % of ACP products to be excluded from liberalisation — meaning that tariffs stay in place after the EPA is implemented. ACP partners themselves decide what falls into this 20 %. Most of the products excluded are agricultural, including complete agri-food sub-sectors that the partner states deem to be strategic.