

# **Cap reform, the international dimension**

***Implications for EU agro-food trade,  
WTO negotiations, preferential trade  
agreements and food security***

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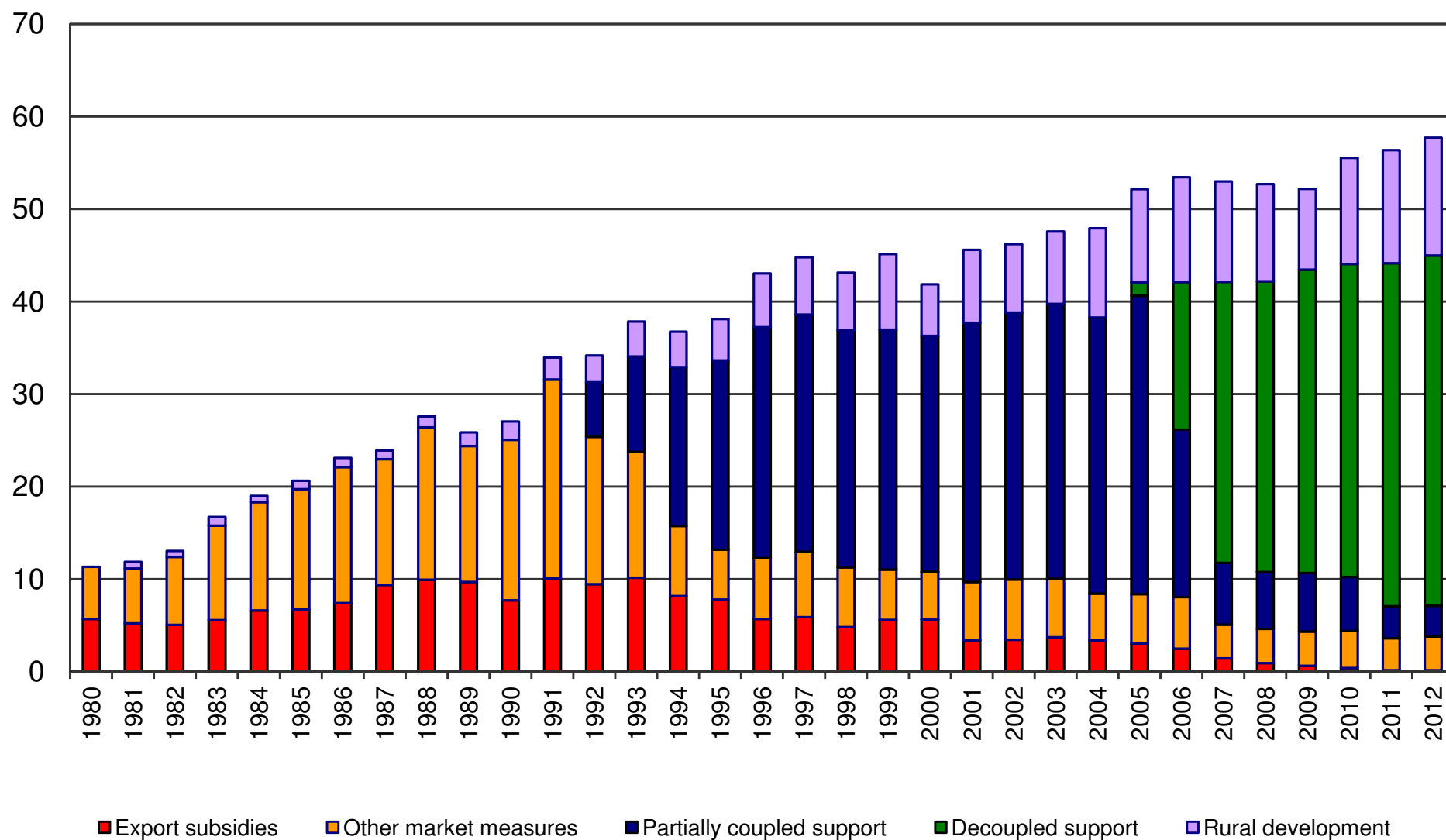
***University of Calabria***

***I Conference of AIEAA - Trento, 4 June 2012***



# the CAP, how did we get where we are?

billion € (current prices)

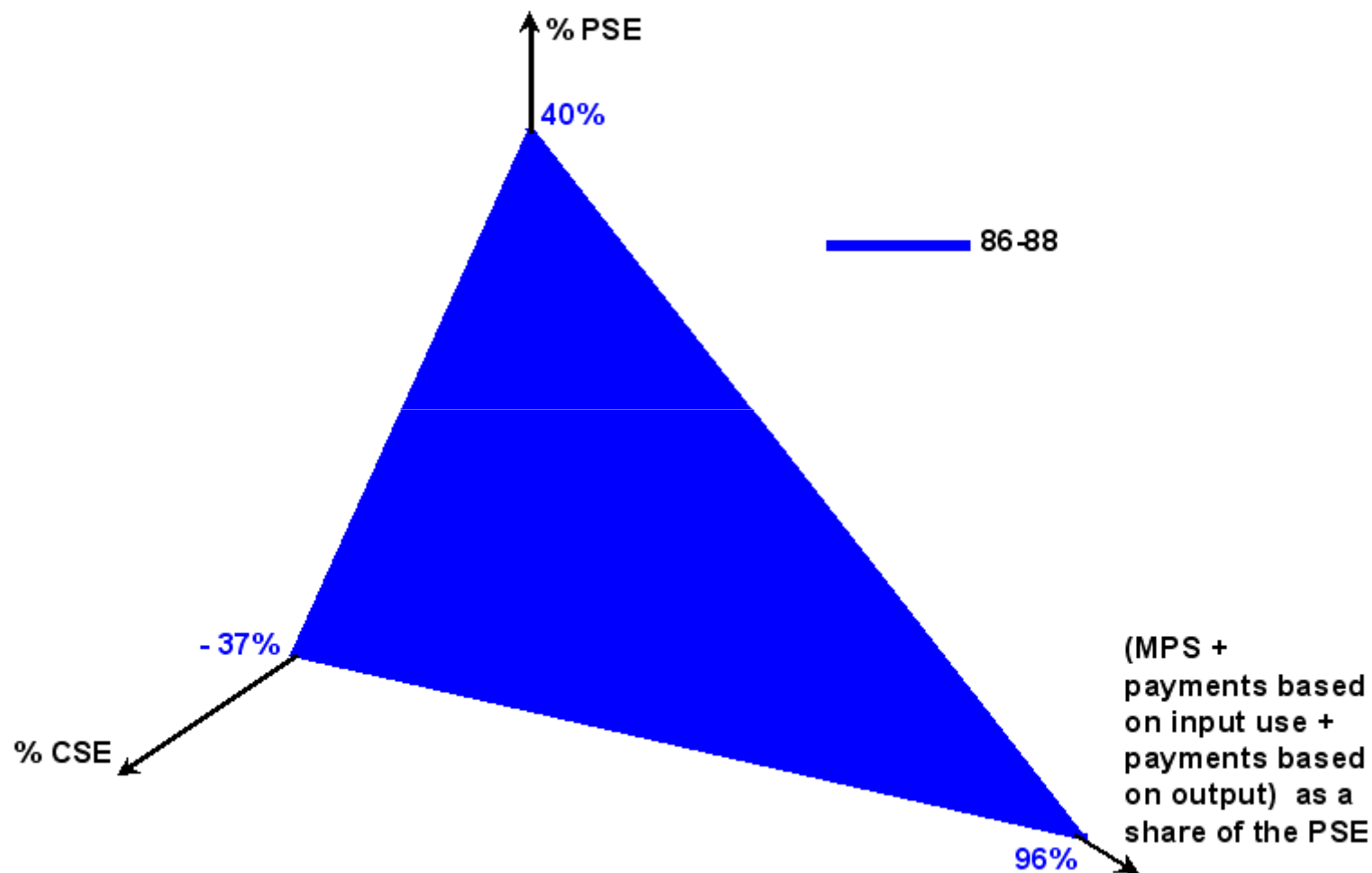


Source: EU Commission.



## *the CAP, how did we get where we are?*

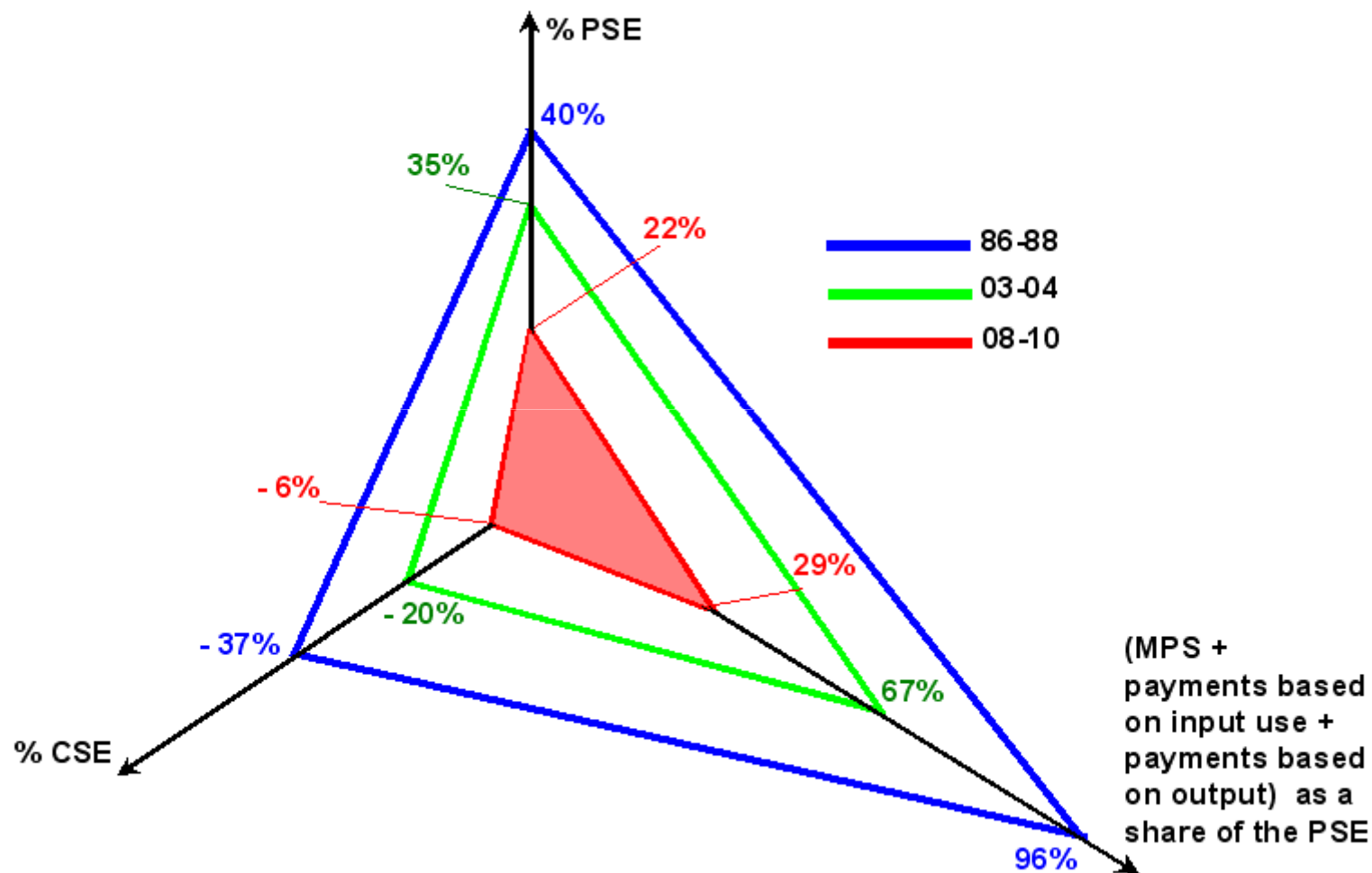
### Evolution of CAP support between 86-88 and 08-10



Source: OECD.

# *the CAP, how did we get where we are?*

## Evolution of CAP support between 86-88 and 08-10



Source: OECD.

## *the Common Agricultural Policy*

- the progressive reform process of the CAP by reducing support provided to farmers and, most important, by 'decoupling' support from production, induced, ceteris paribus
  - a reduction of domestic prices and an increase in their variability
  - a reduction of domestic production
  - a reduction of EU exports and an increase of EU imports
  - an increase of international prices and a decrease in their variability

## *the reform proposal by the Commission*

- ✗ **very conservative** (calls for very little change)
- ✗ linkages between **stated objectives** and **proposed policy instruments** are **questionable**:  
a CAP “*to guarantee the provision of public goods*”? “*to enhance the competitiveness of the sector*”? a “*better targeted*” CAP? a “*fairer and more equitable system of support*”?
- ✗ a CAP “*to help agriculture increase its share of value in the food chain*”? a CAP “*to fight food in-security*”?
- ✗ a “*strategic policy choice for the long-term future of agriculture and rural areas*”?

## *the reform proposal by the Commission*

it goes in the right direction, but too timidly

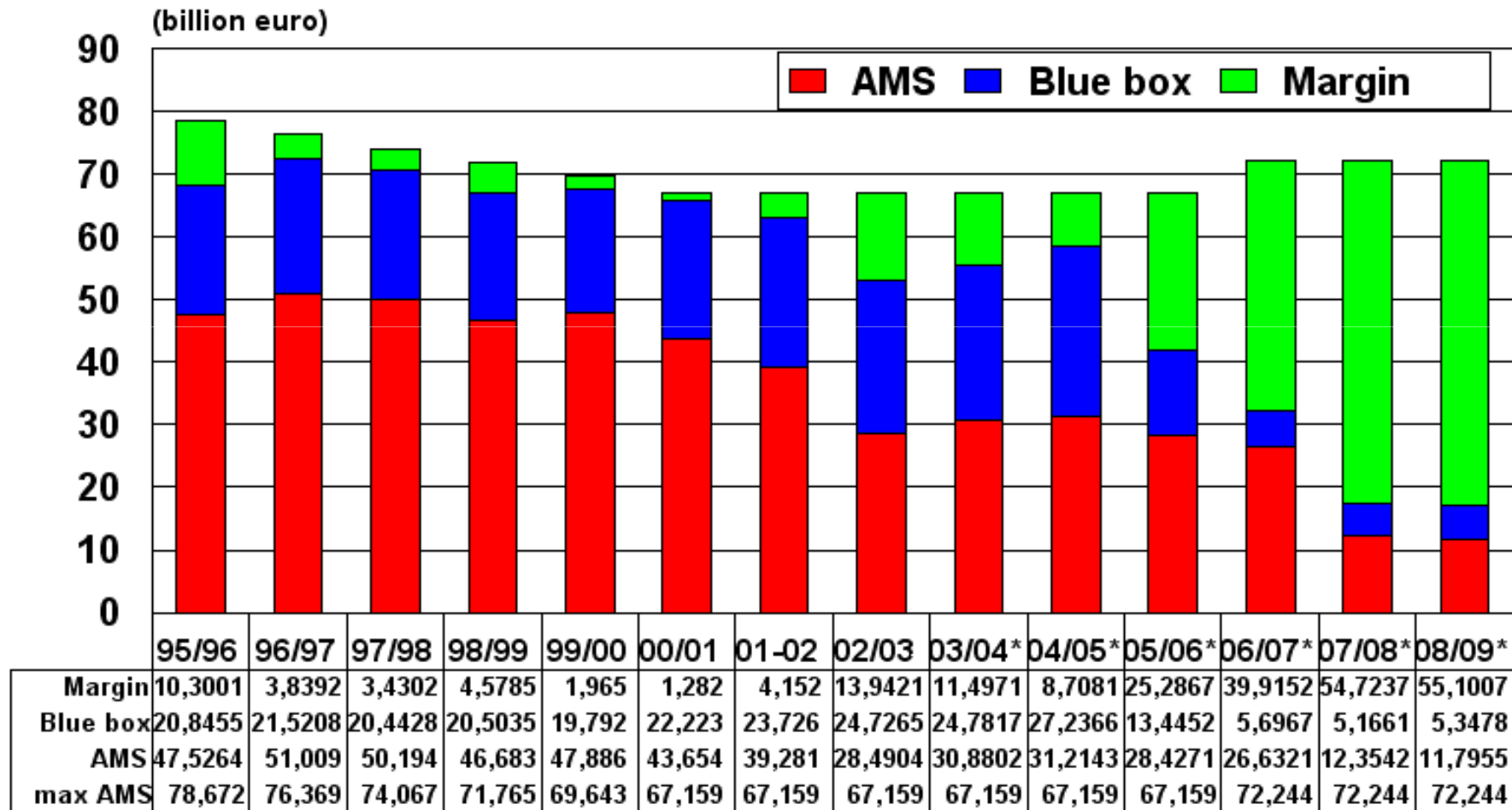
- *not brave enough in reforming the CAP*
- *it definitely applies the brakes to the reform process on-going since 1992 (only a pause, or is a U-turn around the corner?)*
- *if the proposal becomes the new CAP*
  - *a moderate reduction of domestic production*
  - *a moderate reduction in exports and a moderate increase in imports*
  - *a moderate increase in domestic and international prices*

- officially ‘**frozen**’, no efforts to make things move are currently under way
  - the stop came in July 2008, when the longest negotiation meeting in WTO history ended in a failure
  - the failure did not come because of agriculture only (SSM, cotton, GIs and **NAMA**)
- CAP reform today cannot be justified using WTO negotiations as an external ‘constraint’



# the CAP and WTO commitments

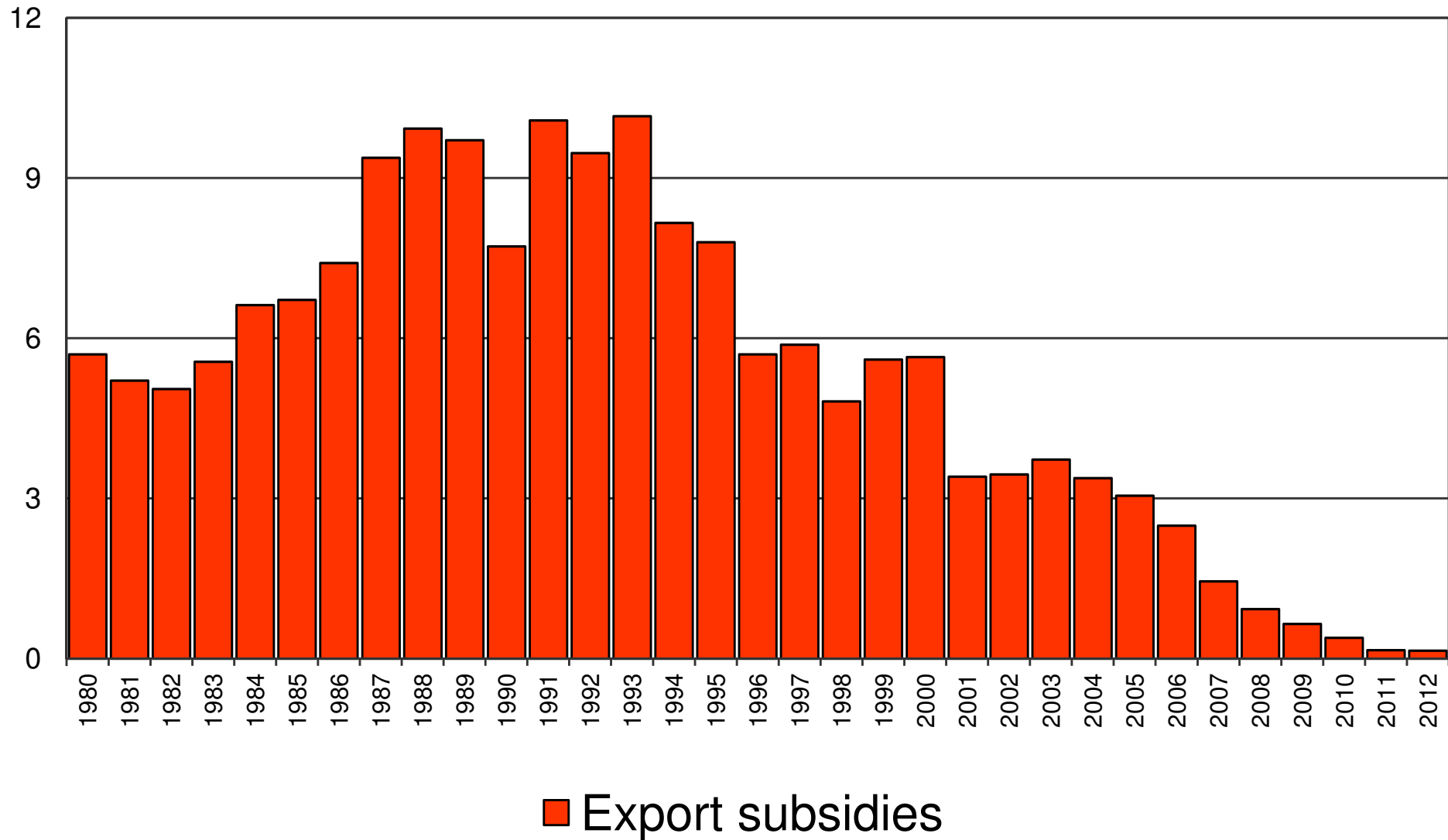
European Union. Domestic support reduction commitments: notified AMS, support falling in the "blue box" and margin with respect to the maximum allowed AMS under the Uruguay round Agreement on Agriculture. (1995/96 - 2008/09)



\*: notifications for 03/04 -05/06 refer to support for EU-25, those for 06/07 -08/09 refer to support for EU-27.

# the CAP and WTO commitments

billion € (current prices)



Source: EU Commission.

## EU trade policy: market protection

### Tariff profiles, selected countries (2010)

**AVERAGE MFN APPLIED TARIFF** (ad valorem equivalent)

**NON-AGRICULTURAL  
PRODUCTS**

**AGRICULTURAL  
PRODUCTS**

**AGRICULTURAL  
PRODUCTS**

**DUTIES > 15% (%)**

**European Union**

**4**

**12,8**

**24,7**

Australia

**3**

**1,3**

**0,5**

Canada

**2,6**

**11,3**

**5,8**

Japan

**2,5**

**17,3**

**22,6**

New Zealand

**2,2**

**1,5**

**0**

Norway

**0,5**

**49,4**

**41**

Switzerland

**1,9**

**27,2**

**25,9**

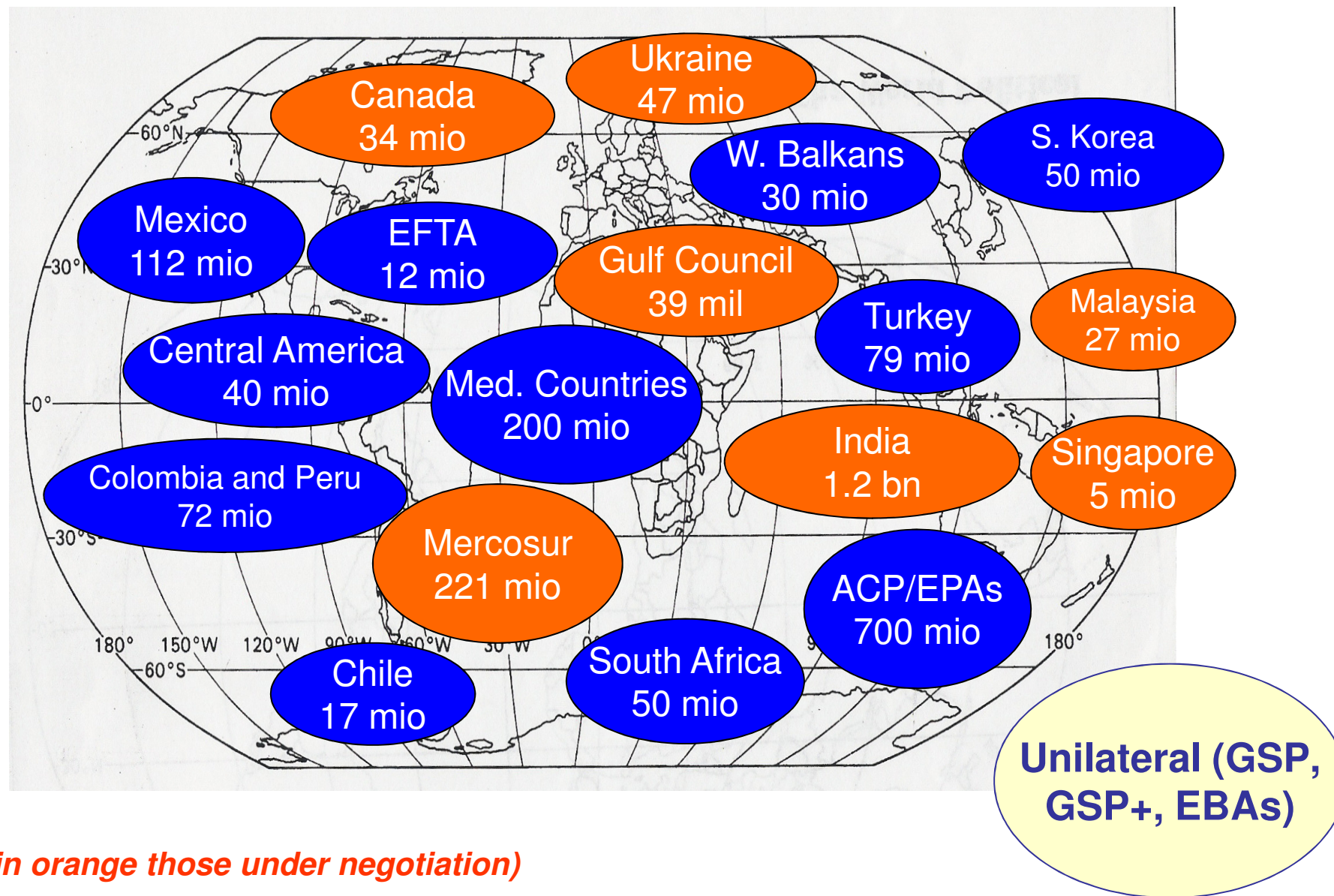
United States

**3,3**

**4,9**

**5,4**

## EU trade policy: the preferential trade agreements



*(in orange those under negotiation)*

## *EU trade policy: the preferential trade agreements*

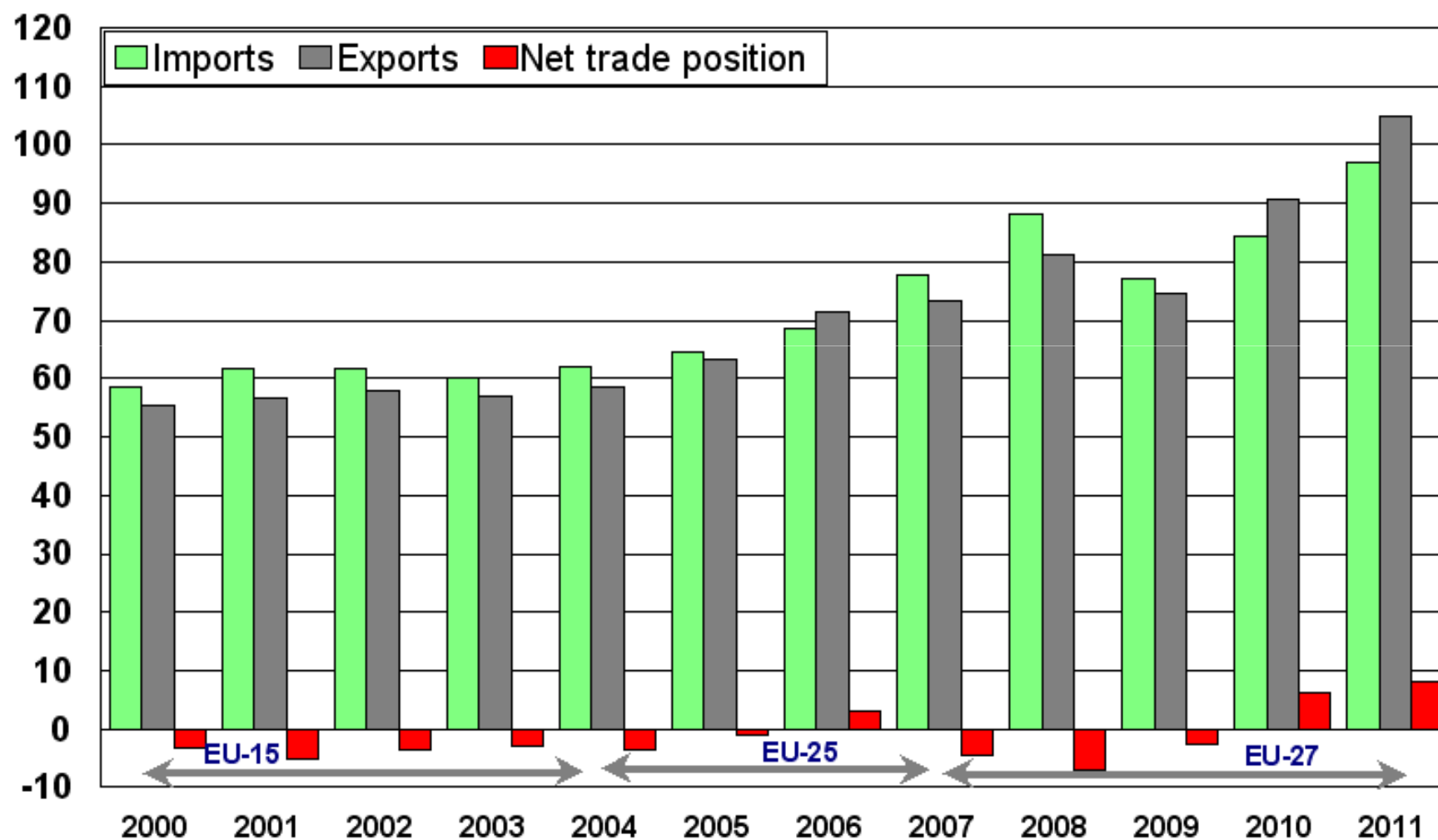
- preferential trade agreements, in general, have positive but limited effects on prices, production and exports of beneficiary countries, particularly in the case of least developed countries (because of supply **quality constraints** and **non-tariff barriers to trade**)

notwithstanding, in recent years (2008-2010):

- *71% of agro-food imports of the EU originated from developing countries*
- *30% of agro-food exports of least developed countries was directed to the EU (5% to the US)*

# EU trade in agro-food products

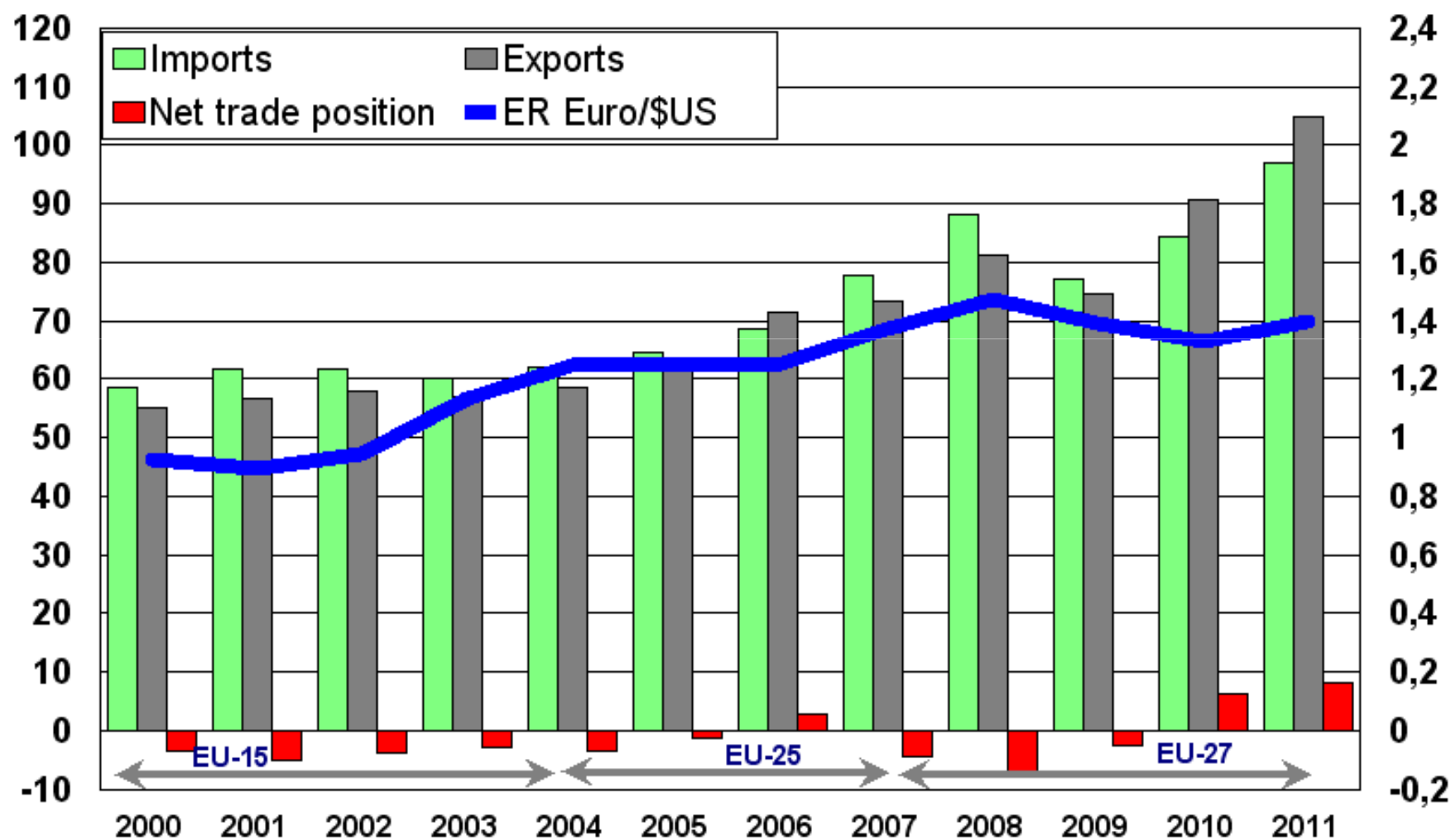
European Union. Agro-food. Imports, Exports and Net trade position  
(excluding intra EU trade; billion euro)



Source: Eurostat.

# EU trade in agro-food products

European Union. Agro-food products. Imports, Exports and Net trade position (excluding intra EU trade; billion euro); Euro/\$US exchange rate.



Source: Eurostat.



## *food insecurity and the reform of the CAP*

food security is, for the first time, an important issue in the debate on the CAP reform

*....though only instrumentally*

- *‘the right to food is a ‘universal human right’, which must be recognized and supported by the CAP’*
- *‘CAP reform is needed in order to address increasing global demand’*
- *‘the EU should play a leading role in ensuring global food security’*

[‘The CAP after 2013. Public debate’, summary report]

- *‘The European Commission has proposed a new partnership between European citizens and its farmers to meet the challenges of food security...’*

[European Commission, Press release, 12 October 2011]



## *food insecurity, which role should EU policies play?*

- market re-orientation of the CAP
- poverty reduction
- poverty reduction
- support pro-agriculture policy choices in developing countries
- expand investment in research and development to support a sustainable increase in productivity, reduce production costs, improve quality of agro-food products, and speed up adoption of innovations (including those already available)

## *CAP reform: what should we expect?*

- *are the Commission's proposals still the boundary of the 'decisions space' on the more radical (!) reforming extreme of the spectrum?*
- **the final outcome:**
  - (even) less greening? more 'coupled' support? significantly less financial resources?*
  - (...and no targeting, no significant environmental benefits, no significant support for competitiveness,...)*
- **the impact on international markets?**
  - relatively small**, other factors are more important: **RTAs**, **euro/\$US ER**, developments in international demand, **biofuel policies**



*Grazie!*