Cap reform, the international dimension

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

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I Conference of AIEAA - Trento, 4 June 2012
the CAP, how did we get where we are?

billion € (current prices)

Source: EU Commission.

[ G. Anania, CAP reform, the international dimension - Joint AIEAA-AES workshop (Trento, 4 June 2012) ]
the CAP, how did we get where we are?

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

Source: OECD.

(MPS + payments based on input use + payments based on output) as a share of the PSE
the CAP, how did we get where we are?

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

Source: OECD.
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
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”?

[ G. Anania, CAP reform, the international dimension - Joint AIEAA-AES workshop (Trento, 4 June 2012) ]
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

[ G. Anania, CAP reform, the international dimension - Joint AIEAA-AES workshop (Trento, 4 June 2012) ]
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)

(billion euro)

<table>
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<th>Year</th>
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<th>max AMS</th>
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</table>

*: 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.

[ G. Anania, CAP reform, the international dimension - Joint AIEAA-AES workshop (Trento, 4 June 2012) ]
## EU trade policy: market protection

### Tariff profiles, selected countries (2010)

<table>
<thead>
<tr>
<th></th>
<th>Average MFN Applied Tariff (ad valorem equivalent)</th>
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<tbody>
<tr>
<td></td>
<td>Non-agricultural products</td>
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<td>Australia</td>
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<td>Japan</td>
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<td>United States</td>
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</table>
EU trade policy: the preferential trade agreements

(in orange those under negotiation)

[ G. Anania, CAP reform, the international dimension - Joint AIEAA-AES workshop (Trento, 4 June 2012) ]
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.

[ G. Anania, CAP reform, the international dimension - Joint AIEAA-AES workshop (Trento, 4 June 2012) ]
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 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]

[ G. Anania, CAP reform, the international dimension - Joint AIEAA-AES workshop (Trento, 4 June 2012) ]
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)
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!