



## EU CAP REFORM 2013 CAP LOBBY BRIEF 1

### 1 International responsibility of the Common Agriculture Policy

This paper forms part of a series of six briefings on the reform process of the Common Agricultural Policy of the EU looking at (1) International responsibility of CAP, (2) Trade Defence Measures, (3) Preventing dumping, (4) EU imports of animal feed, (5) Standards and (6) Indexation of direct payments. It aims to address issues of concern that to date have not received sufficient attention in the CAP debates and the decision-making fora. It is intended to influence the policy and position of the EU on CAP towards 2020 and to inform the public debate on the external impact of the CAP and on what is at stake for developing countries.

### What is the problem?

The external compatibility-check of CAP has for a long time been limited to WTO-rules. However, this is completely insufficient in today's and tomorrow's challenges to global food security.

The new Treaty of the Functioning of the European Union (TFEU) recognises and articulates the EU's global responsibility in Art.3 (5): "In its relations with the wider world, the Union shall uphold and promote its values and interests and contribute 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, [...]." And Art. 21(3) of the TFEU states that: "The Union shall ensure consistency between the different areas of its external action and its other policies".

<sup>1</sup> This stipulates a clear obligation for the CAP reform to take careful account of the EU's role in and impact on the world.

Thinking globally and acting locally is not good enough. At present, the EU CAP claims to think globally but continues to act as though our domestic policies have no effect on others. What is needed is thinking *and* acting globally.

The EC Communication (COM (2010) 672 final) on 'The CAP towards 2020 : Meeting the food, natural resources and territorial challenges of the future' affirms this when stating: "It is essential that EU agriculture maintains its production capacity and improves it, while respecting EU commitments in international trade and Policy Coherence for Development." (page 4, last para). This suggests that global food security is only considered to the extent that it can be used to justify economic growth and export opportunities for European business.

The EU's contribution to wider societal concerns on global fairness and food security has two important implications:

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<sup>1</sup> <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2008:115:0047:0199:EN:PDF>

1. EU rule-making and international standard-setting have a profound impact on the functioning of global food chains. Defining agricultural trade rules and standards, and designing financial and non-financial policy instruments on tariff lines under the scope of CAP is managed by the European Commission, Directorate General Agriculture and Rural Development. Scrutinising the external impact of rule-making under CAP on international food markets and food security in developing countries is and must be fundamental to the EU's obligation to honour its commitments to international fairness and poverty eradication as stipulated in the Treaty.

2. A guiding principle for the reform of the CAP support instruments must be to identify and prevent any negative impact these measures may have on food insecure countries, on the realisation of Millennium Development Goal 1 on reducing hunger and on the Right to Food. Although the past reforms have rendered CAP instruments less trade distortive, the EU agricultural subsidies are still causing problems for resource poor farmers in developing countries and, ultimately, may undermine their food security. The most obvious potential conflict of interest is between Europe's own export business interests and the concern of weak agriculture-based economies in the developing world to increase their self-sufficiency in food.

To date the commitments to policy coherence for sustainable development and global fairness have not led to any concrete changes in the CAP design. The complete absence of reference to the impact on third and developing countries in the EC Communication on the CAP reform is in itself a sign of neglect and omission of the EU's role in the wider world and its commitments to international development objectives.

The degree to which the CAP reform process takes this into account can be seen as the ultimate test of the willingness of the EU to live up to global challenges and to adhere to its commitment to Policy Coherence for Development.

## The current situation

The EU is the world's biggest importer and exporter of food and agricultural products. The magnitude of these trade flows has a substantial impact on the agricultural development of some of our trading partners and on [world/] international agricultural markets. A substantial part of these trade flows is shaped and influenced by a series of European policies such as agriculture, trade, health and environment. Any policy change in one of these areas needs to be monitored with regard to its impact on our trading partners, especially if they are vulnerable, food insecure, developing countries.

The EU is also a very important player in matters of international agricultural rule-setting. In all fields of negotiation that concern food and agriculture, the EU acts under the aegis of DG Agriculture. Responsibilities and lead management by DG Agriculture include policy areas such as Biosafety (Cartagena Protocol), World Food Crisis (all matters that come under the FAO), food safety (Codex Alimentarius), animal health (O.I.E.), breeding rights (UPOV), plant protection (ICPP), trade rules (WTO, bilateral FTA) and International Grains Agreement (Food Aid Convention, Grains Trade Convention). DG Agriculture is also responsible for handling the challenge to European agriculture in the negotiations on Climate Convention (mitigation and adaptation, SBSTA, GHG methane and nitrous oxide, renewable energy), Agenda 21 (CSD), etc.<sup>2</sup> New policy fields are still to come, like the inclusion of agriculture in international trading of carbon emissions, the international attempts to fight food speculations on the stock markets, the emerging global coordination of grain reserve stock-holding policies of countries, etc.

In addition to the direct rule-setting responsibilities of DG Agriculture, the EU is signatory to other international legal frameworks with which it has to comply, such as the UN MDG 1 (halving global hunger) and MDG 7 (ensuring environmental sustainability); the Guidelines for the Progressive Realisation of the **Right to Food**; Human Rights; and the Core Labour Standards of the ILO.

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<sup>2</sup> For a limited list of DG Agriculture's responsibility of policy areas and external relations with developing countries, see [http://ec.europa.eu/agriculture/developing-countries/index\\_en.htm](http://ec.europa.eu/agriculture/developing-countries/index_en.htm), and [http://ec.europa.eu/agriculture/trade/index\\_en.htm](http://ec.europa.eu/agriculture/trade/index_en.htm)

In its Communication on CAP 2013, the European Commission does not mention external relations as part of the common agricultural policy. However, linkages between the internal and the external dimension of CAP should be identified and become part of the public CAP debate and the decision-making process of the European Parliament. Omitting these would mean allowing international agricultural relations to operate in the shadows as is sometimes the case today.

One important link between the external and internal dimensions of EU agricultural policy and CAP refer to the rules themselves. Which are the leading interests that guide the EU's external operations in this field? To what extent is the EU guided by concerns about public goods? Or is the EU only serving the self-interest of Europe's food and agricultural sector? Is DG Agriculture determined to adopt only international rules that are compatible with internal policy matters of CAP, or does it also accept challenges that derive from international rule-making? For example, the 2008 budget allocated 6 million € for external relations of DG Agriculture, which must suffice for all capacity building in developing countries accompanying international agreements, can this be considered sufficient? A delicate balance has to be found between internal and external policy interests. Exposing these sensitive questions and potential trade-offs to the public is necessary to prevent or weaken the risk that CAP reform is foremost voicing the interests of the EU food and agricultural sector – while failing to respond to real coherence challenges and obligations.

There are potentially strong trade-offs between policies that aim at maintaining food price stability in the domestic and those aiming at stability at the international market. A big agricultural player setting national prices in total isolation of world food markets necessarily leads to higher instability for the rest of the market actors, with the poorest and smallest market player having to shoulder all of the adjustment costs.

Similar trade-offs may occur in the area of standards and rule-making. Unilaterally determined standards by a big trading bloc like the EU may undermine possibilities of other countries to export food and force them to comply and adjust to meeting costly standards without having any influence on standard setting (see CAP Lobby Brief on Standards).

At present, one of the objectives of CAP is to ensure availability of food which is understood as securing food supply within the EU. While food security remains an important objective, restricting the scope of food security to Europe alone is not consistent with commitments to ensuring policy coherence for development. The same goes for legal obligations on food safety to protect consumers' health, which is restricted to European consumers. While food may not be exported unless it meets the EU's own food safety requirements, it is of no concern to the EU what happens once the food has left the European port: irrespective of facts such as whether the importing countries have adequate frozen food chains or whether expiry dates allow a lengthy ship journey, etc. In times of global and highly integrated food value chains and agriculture markets such a self-centred policy should have become obsolete.<sup>3</sup>

## **EU commitments to policy coherence for development**

Apart from the commitments to policy coherence made in the Lisbon Treaty and referred to above, a number of other commitments have to be taken into account. The European Consensus on Development (2006/C 46/01) states that “The EU is fully committed to taking action to advance Policy Coherence for Development in a number of areas [including agriculture]. It is important that non-development policies assist developing countries' efforts in achieving the MDGs. The EU shall take account of the objectives of development cooperation in all policies that it implements which are likely to affect developing countries.”

The EU policy framework to assist developing countries in addressing food security challenges, presented in 2010, states that “Reform of the Common Agricultural Policy has enhanced coherence, and future reforms will continue to take global food security objectives into account.” (SEC (2010) 379, p 8)

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<sup>3</sup> This stick to EU's border policy is contrasted by European trade policy focus on tackling 'behind the border barriers' and of European migration policies that pay for facilities, de facto extending EU borders into third countries' territories

To date, the only mechanism to monitor policy coherence for development is the impact assessment on new EU policies that is carried out by the Commission services by way of inter-service consultations. That would mean that for the duration of the new CAP reform policy, no other instrument is in place to ensure no harm is done to developing countries. We consider this insufficient and suggest additional mechanisms

## Our proposal

1. The obligation not to undermine food security in developing countries should be one of the core objectives of CAP. The bottom line to policy coherence for development should mean that CAP does not counteract food security in vulnerable countries. The principle of *Do No Harm*, developed in the humanitarian and development communities to prevent unintended side-effects of operations, is an important point of reference and should become a guiding principle for the CAP. However, CAP and international agricultural rules-making cannot, of course, be expected to *directly promote* food security in developing countries, which is the task of EU development assistance.
2. DG Agriculture's management of external relations has to be brought into the discussion of the CAP framework and explicitly linked to EU commitments to foster poverty reduction and sustainable development. Its objectives and intentions in international negotiations have to be made part of the CAP reform process and discussed publicly in the European Parliament and beyond.
3. The five objectives of CAP from 1962<sup>4</sup>, which have been repeated in the Lisbon Treaty, or the three objectives as proposed by the EC Communication<sup>5</sup> - have to be complemented by an objective which makes global responsibility an integral part of the CAP. It could be framed: '***Contribution to global food security, global sustainable development, elimination of hunger and a harmonious development of world agricultural markets.***'
4. The current CAP impact assessment should become a coherence test and exercise for CAP; and should explicitly include coherence for development as part of its commitment "to strengthen coherence between rural development policies and other European policies" (EC COM, page 11),
5. Matters relating to external relations that are managed by DG Agriculture need to be monitored on a regular basis to identify possible negative effects and to recommend policy changes that prevent or remedy any problems and incoherence.

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<sup>4</sup> Treaty of Rome, Art.39: 1) Increase productivity, 2) Ensure fair living standards for the agricultural community, 3) Stabilise markets, 4) Ensure availability of food, 5) Provide food at reasonable prices.

<sup>5</sup> 1) Viable food production, 2) Sustainable management of natural resource, 3) Balanced territorial development.