The common agricultural policy
past, present and future

The common agricultural policy (CAP) evolved during the 1960's based on foundations laid down in the Rome Treaty that dates from 1957. In its early years, the main emphasis was on providing farmers with stable and remunerative prices and improving productivity. Increases in production led to surpluses and an increasing pressure of the European Community products on world markets. In an attempt to deal with this, the Community resorted to production quotas in some sectors and gradual price reductions in others. In 1992 a more fundamental reform was made involving large reductions in support prices with compensation granted to producers in a form which did not relate directly to current output or price.

This reform enabled the Community to accept and to comply with the obligations arising from the Uruguay Round negotiations. These included strict and degressive limits on export subsidies; reductions in trade distorting domestic support and commitments on market access, including the transformation into tariffs of previously existing import measures and the progressive reduction of these tariffs. Whilst the Community has readily accepted that more remains to be done, by us and by others, critics sometimes appear to forget what has already been accomplished.

Recent changes

The Community’s genuine commitment to continuing the process of reform for a more sustainable Agricultural Policy was demonstrated by the decisions taken in so-called Agenda 2000. These decisions
• amplified those of 1992 through further reduction in support prices, this time only partially compensated by direct payments to farmers;
• encouraged more environmentally-friendly farm practices;
• promoted an integrated approach to rural development;
• focused on food quality, taking full account of increased consumers’ concerns over food quality, food safety, environmental protection and animal welfare.

The future

The European Commission has recently presented to the Council of European Ministers and the European Council an ambitious blue print for further improvement. This blue print, resulting from the Commission’s mid-term review of Agenda 2000, proposes a major further step in the process of adapting the Community’s agricultural policy, in order to ensure that it can better secure the objectives of today’s society. These proposals involve a significant switch in expenditure from the direct payments which arose from the 1992 and Agenda 2000 reforms towards aids directly targeted on societal concerns like rural development, the environment and the promotion of sustainable farming practices; and decoupling of most of the remaining direct aids from production.

The CAP and developing countries

It is sometimes alleged that, despite all these changes, the common agricultural policy creates a fortress Europe into which the products of developing countries cannot penetrate. This is far from being the case. The EU is the world’s largest importer of agricultural products. In 2000 the EU imported agricultural products totalling €58.6 billion (61% of these imports originated in developing countries). A large part of these imports came from developing countries, helped by the preferences that the Community gives under the Generalised System of Preferences and under its Agreement with the African, Caribbean, Pacific (ACP) countries. In 1998-2000 its average imports of agricultural products from developing countries were near €36 billion, equivalent to imports from developing countries into the United States, Japan, and Australia combined.

In September 2000, the EU adopted a measure that will fully liberalise its imports of all products except arms from all least developed countries. This Everything But Arms (EBA) initiative covers all agricultural products, most of them immediately, with phased introduction for sugar, rice and bananas, products for which the Community already gives important preferential access for ACP countries.

Further improvement in preferential access has been provided by the improvement in the Community’s Generalised System of Preferences which both improve existing preferences for developing countries and make them more stable and predictable.
The EU's position on the agricultural component of the Doha Development Agenda

The EU is fully committed to the objectives on agriculture set out in paragraphs 13 and 14 of the Doha conclusions. We are determined that negotiations based on these paragraphs will be successfully conducted according to the Doha timetable and adopted and implemented as part of a single undertaking with the other components of the Doha Agenda.

The Doha conclusions provide guidelines, without prejudging the outcome, for negotiations on market access, all forms of export subsidies and trade distorting domestic support. They foresee that special and differential treatment for developing countries, to enable them to take account of their development needs, including food security and rural development, will be an integral part of all elements of the negotiations. And it acknowledges the non-trade concerns that have been reflected in the negotiating proposals submitted by members and confirms that non-trade concerns will be taken into account in the negotiations.

On market access, the Community believes that all WTO members stand to gain from increased trade and is ready to contribute effectively to this process. Its commitment to special and differential treatment in this area is amply demonstrated by the preferences it gives to developing countries and it calls on all developed countries to follow the example it has set by adopting EBA. It also believes, in common with many developing countries, that real access can be improved by protecting geographical names of products whose reputation is linked to their origin from usurpation or imitation.

On export subsidies, the Community stands ready to accept further reduction in the form of export subsidies which were already disciplined by the Uruguay Round, provided that this time all forms of export subsidies are covered – as envisaged in the Doha conclusions. This must cover subsidised export credit, because credits granted on non-commercial terms and for very long periods can create major trade distortions. It must cover the abuse of Food Aid as a surplus disposal or market promotion tool, whilst safeguarding the use of Food Aid when needed to meet genuine food emergencies. And it must cover the hidden subsidies that can be granted through state trading bodies or other government protected single desk sellers, through practices like price pooling. A comprehensive conclusion on all forms of export subsidies will particularly benefit developing country exporters of agricultural products because they are, in general, less able to use the various systems of export subsidies which currently exist.

On domestic support, the Community has demonstrated, by the way it has been transforming the common agricultural policy, its commitment to reducing the trade distorting impact of its domestic policy and it is ready to negotiate further reductions in the amount of such support it is permitted to grant consistently with its WTO commitments. It is also ready to accept flexibility in the limit on domestic support to be applied by developing countries.

Thus the Community’s negotiating position on all three trade pillars fully reflects the commitment to special and differential treatment for developing countries.

The Community also attaches major importance to the commitment on non-trade concerns contained in the Doha Declaration. It firmly believes that the new WTO agreement on agriculture must permit all members to meet their societies’ legitimate concerns, for example with regard to the environment and rural development, within the context of the fair and market orientated agricultural trading system, which remains the long-term objective of agricultural negotiations in the WTO.

Doha and the World Summit on Sustainable Development

The Community is convinced that Doha set a practical and fair framework for trade negotiations that can make a real contribution to development. It does not believe that it would be in anyone’s interest for the WSSD to seek to change this framework. Through the positive trade agenda which it has presented in preparation for the WSSD however, the Community has proposed means to help to ensure that developing countries can benefit from the increased trading opportunities which will arise when the negotiations mandated in Doha are brought to a successful conclusion.

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