Coordination SUD
Solidarité Urgence Développement

C2A Notes

Agriculture and food in question

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The CAP and Developing Countries

THE IMPACT OF EUROPEAN IMPORTS

Europe, the World's Largest Importer of Agricultural Products

The European Union is currently the world's largest importer of agricultural products. In 2007, its imports amounted to EUR 78 million and accounted for 23.1% of world agricultural imports.

A Traditional Outlet for Developing Countries...

A large percentage of the products imported by the European Union come from developing countries. Historical relationships and the trade agreements negotiated by the European Union (Cotonou Agreement, Euro-Mediterranean Agreements, the agreement with MERCOSUR, etc.) have made Europe the traditional outlet for agricultural products from these countries.

Thus, in 2007, 59.2% of agricultural exports from the African, Caribbean and Pacific countries (ACP), 51.9% of agricultural exports from Mediterranean countries, 33.5% of agricultural exports from MERCOSUR, 20.1% of agricultural exports from Southeast Asian (ASEAN) countries, and 37.3% of agricultural exports from Least Developed Countries (LDCs) were destined for the European market.

The products exported by these countries are mainly tropical products that do not compete with European agricultural products. These products usually receive preferential, even duty-free, access to the European market. However, Europe also imports products destined to be used as animal feed from Brazil and Argentina. Indeed, since the Dillon Round General Agreement on Tariffs and Trade (GATT) negotiations between 1960 and 1961, Europe has accepted a duty-free opening of its market, which has made it highly dependent on imports, mainly soybeans.

... that Is Not Risk-Free

For developing countries, this strong dependence on the European market for their agricultural exports can have several drawbacks. For instance, the advantages granted by Europe have not encouraged them to diversify their trade into potentially more promising markets. Yet, the increasing openness of the European market to all its trading partners makes these advantages less attractive. This is particularly true for ACP countries. These countries, which already had free access to the European market for virtually all of their agricultural products, are now faced with other competitors who receive the same advantages for more and more products (e.g. coffee).

In addition to this dependency on the European market, the agricultural exports of many developing countries focus on a few products that meet the European demand (soybeans, bananas, cocoa, etc.). This makes these countries very vulnerable given the variations in the international prices for these products. Moreover, due to a higher level of protection of processed agricultural products, developing countries export mostly raw commodities to Europe, and have not or have little developed their agrifood industries.

Soybeans: A Case Study on the Negative Effects for Developing Countries

The expansion of single-cropping export products destined for the European market has sometimes had very negative effects on agriculture in developing countries. This is true in particular for the soybean single-cropping that has developed in Latin American countries. Indeed, Europe is the largest importer of soybeans, for which world production has risen five-fold in forty years. This large-scale farming of soybeans in Brazil and Argentina has serious human, environmental and health consequences. For instance, the expansion of soybean growing causes deforestation, and contributes to the loss of biodiversity, erosion and water pollution. Rural and indigenous communities have been evicted from their land, pushed out by large farms. This race toward concentration and the eviction of small farmers generate massive rural exodus, with peasants adding to urban poverty. Finally, the single-cropping of soy destined for export has come at the detriment of food crops and diverse smallholder farms: for thirty years, soybeans have taken precedence over rice, beans, cassava, and even corn.

The Impact of European Exports

From Self-Sufficiency to Surplus Sold on the World Market

Originally, the main objective of the common agricultural policy (CAP) was to achieve food self-sufficiency quickly. The CAP worked so well that this objective was surpassed for the main agricultural products in the 1970s. Europe then had to deal with growing surpluses (milk, wine, cereals, and beef). To dispose of these surpluses, the European Community expanded its exports through massive subsidies. In a few years, Europe became one of the primary exporters of agricultural products in the world.

An unfair Competition for Developing-Country Agriculture and a Problem of Coherence

The strong growth of export subsidies for agricultural products has attracted much criticism both from traditional exporters and farmers in importing countries. These subsidies contributed to the decline in international prices and enabled Europe to capture market shares through price dumping. But, above all, they generated "unfair" competition by European agricultural products exported notably to developing-country markets. For instance, in the 1980s to 1990s, Europe, thanks to subsidies, exported its beef massively to Côte d'Ivoire, Ghana and Benin. This competition from products sold at prices often below their production cost (dumping) discourages local production and trade between African countries. It also reduces to naught the efforts to develop agricultural commodity chains financed by the European Union's development aid.

A Decline in Export Subsidies that Did Not Fundamentally Alter the Situation

The successive reforms to the CAP have led to a sharp decline in export subsidies. In 2007, the European Union devoted only EUR 1.45 billion to these subsidies, or 3.4% of CAP expenditure, compared to more than 10 billion in the 1980s. Yet agricultural exports continue and competition from European products in the markets of developing countries persists. The increase in direct aid to farmers made it possible to cut export subsidies while maintaining the competitiveness of European exports. This aid provides an incentive to produce less, but it also makes it possible to export without subsidies at prices that are below production cost. Dumping is therefore still possible. In addition, Europe also exports agricultural products that do not meet EU standards[1] and cannot be sold on the European market (e.g. potatoes and onions) and the by-products of industrial agrifood production (poultry wings and tails, and cull hens). These products without any real value are sold at very low prices and destroy commodity chains in developing countries.

[1] These non-standard products are mainly those that do not meet industry quality standards (size, color, breakage rate, etc.).

Protection Is Needed for Developing-Country Agriculture

Although Europe is still the main supplier of agricultural products for many developing countries, it is no longer the only one competing with African products. Thus, for instance, poultry imports from Brazil have gradually replaced European poultry on African markets thanks to very low production costs. Beyond the fight against the dumping of imported products, this situation calls for increased protection of agricultural commodity chains in countries that have, in general, greatly reduced their customs duties.

An Example of Unfair Competition: Europe Fleeces Africa

In the space of eight years, from 1995 to 2003, Cameroon's poultry imports rose from 500 tons to 22,000 tons. These cheap poultry pieces from Europe have led to the disappearance of more than 100,000 jobs in the country's poultry industry. The same thing happened in Ghana, Côte d'Ivoire and Senegal.

WHO PROTECTS ITS AGRICULTURE? WHY FOOD SOVEREIGNTY?

"Food sovereignty is the RIGHT of peoples, countries, and state unions to define their agricultural and food policy without the 'dumping' of agricultural commodities into foreign countries."

At the World Food Summit in Rome in November 1996, Via Campesina established for the first time this definition of the principle of food sovereignty.

"Food sovereignty," it continued, "does not mean autarky or a retreat behind borders. Nor is it opposed to international trade: all regions of the world have their own specific products that they can trade; but food security is far too important to allow it to depend on importation. In all regions of the world, the basic food should be produced locally where possible. All regions should therefore have the right to protect themselves against low-cost imports that destroy their home production."

Does the CAP Respect Food Sovereignty?

Like all the agricultural policies of developed countries, the CAP is implicitly based on the principle of food sovereignty, without the obligation to open markets. Indeed, its objectives combine increased supply security and improved productivity, market stabilization, farmers' remuneration, and price guarantees for consumers.

The combination of market protection and commodity chain support has been very effective in Europe. Strategic commodity chains were developed and consumer supply was ensured.

However, compliance with the food sovereignty principle by the CAP is decreasing:

- The CAP has less and less respect for the European Union's own food sovereignty, because of low customs duties on certain products. Since the Dillon Round negotiations, Europe has depended on its soy imports to feed its livestock. Too little protection due to international negotiations prevents the definition of an ambitious agricultural policy.
- The CAP has less and less respect for its partner countries' food sovereignty, and especially the poorest countries that it threatens with its exports at dumping prices (whether subsidized or not).

What Food Sovereignty for Developing Countries?

Developing countries have systematically seen their food sovereignty trampled during international negotiations: the Bretton Woods institutions[2] prevent market protection (although it is authorized by the WTO), and the WTO prevents the establishment of effective tools and does not do enough to fight dumping by wealthy countries.

But there are successful examples (see table below) of promoting food sovereignty to improve food security, alleviate poverty, develop commodity chains, etc.

Various measures can be taken (total or temporary import bans, variables customs duties, etc.). Often limited in time, they promote the growth of new commodity chains.

The effects are generally a drop in imports, offset by an increase in local production (Guinea even became a

[2] The International Bank for Reconstruction and Development (IBRD), now a component of the World Bank, and the International Monetary Fund (IMF).

potato exporter in the region). Farmers' incomes rise. Only consumers who are not farmers (mainly the urban poor) are faced with price increases until domestic production adjusts. Additional customs revenue can enable the government to subsidize poor consumers during the transition to limit the effects of the price hike.

Some Protective Measures to Develop Local Commodity Chains

Measures	*Case Studies*	*Implementation Period*
Import Ban	*Guinea – potatoes* *Nigeria – rice* *Guinea – onions*	*five months per year from 1992-1998* *1993 crop year*
Quantity Restriction	*Cameroon – chicken*	*September 2004 to March 31, 2005*
Higher Customs Duties, Additional Taxes	*Guinea – onions* *Kenya – milk* *Indonesia – sugar*	*1993* *starting in 2001* *starting in 2002*
Price Bands + Import Quotas	*Nicaragua – rice*	*April 1992 to September 1996*
Customs Duties + Levies in Function of the Domestic Market	*Europe – beef*	*starting in 1967*
Value Added Tax (VAT)	*Cameroon – chicken*	*starting in September 2004*

Source: Alpha A., *La protection des marchés agricoles : un outil de development*, Etudes et Analyses, Coordination SUD, 2006.

As part of its mission to support the collective advocacy of its members, Coordination SUD has set up working committees. The Agriculture and Food Commission (C2A) brings together international solidarity NGOs that act to realize the right to food and increase support for smallholder farming in policies that impact global food security: 4D, Artisans du Monde, AVSF, AITEC, CARI, CCFD–Terre Solidaire, CFSI, CIDR, CRID, GRET, IRAM, MFR, Oxfam France, Peuples Solidaires in association with ActionAid, Secours Catholique, Secours Islamique.

The Commission aims to coordinate the work conducted by its participants, and facilitate consultation among its members for their advocacy work with social actors and international policy makers. The members of the Commission reach agreements on the representation provided in the name of Coordination SUD in a range of arenas (Concord in Europe, FAO, WTO, UNCTAD) and share information on current international stakes. The Commission is mandated by Coordination SUD to formulate the positions taken by the group during the main institutional meetings on the subjects of agriculture and food.

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