**ORIENTATIONS FOR THE CAP … AFTER THE REFORM – JOSEPH ROCHER**

**I THE CAP IN THE FRAMEWORK OF THE WTO**

The Agreement on Agriculture of the Uruguay Round was signed with a view to boost global prices on which were weighing the equivalent of 300 billion dollars of subsidies, mainly agreed by the developed countries.

The context of the negotiations of the Doha Development Round has changed dramatically: the world prices of agricultural products are now at high levels and will remain there..

In this context, the countries that Net Food Importers (NFIDC), supported by the initiative of the G20 in 2011, had for the Ministerial Conference of the WTO in December 2012, put forward a proposal that sought to prohibit export restrictions for products intended for NFIDCs and LDCs. This proposal was not adopted at the WTO Conference in 2011, but it keeps its relevance, and could resurface for the WTO Ministerial Conference to be held in Bali from 3 to 6 December 2013.

**The USA**, benefiting from this context of high prices, but simultaneously facing serious budget problems, intend to move from support based on fixed direct payments to an income insurance system that would involve the mobilization of a system of private insurance.

If such a change occurs, the European Union would be left almost alone with a fixed system of direct payments amounting to not less than 37 billion euros. For domestic political and financial reasons, as shown by Bruno Lemaire, former French Minister of Agriculture, France clings to a system of direct aid, would fall to pieces if "a single comma" was changed in the basic legislative texts of the CAP Reform that are the basis of the granting of direct aid.  
  
**Emerging countries**, which are beginning to have significant budgetary resources, wish to use these to improve the situation of their producers and their consumers. Studies have shown that the more a country is industrializing, the more it supports agriculture. The proposal presented by the G33 (led by India) for the Bali Conference points in this direction: it would allow, for reasons of food security, a policy of price support that would remain an instrument of the Green Box (instruments for non-distorting trade) and would not be taken into account in calculating the Aggregate Measure of Support (AMS which is an Amber Box Instrument). This proposal, which welcomed during the last WTO Agriculture Committee (March 2013), would have systemic implications on the existing rules (a measure currently ranked in the Orange Box relocated in the Green Box).

**The poor developing countries**, whose budgetary resources are limited, are looking for tools adapted to their situation: in their case, the only tools that could protect farmers from too low prices and consumer from prices too high, would be flexible, transparent and predictable import and export restrictions. But for now, the "flexibility" (since the demise of "variable import levies" of the old CAP) has become a taboo subject in the WTO. We saw it with the dispute between Chile and Argentina in 2002-2004: WTO condemned the Chilean practice which was a rate of customs duty that varied within the range of the bound rates.

This rejection of "flexibility" also may pose a problem in the United States for the implementation of their revenue assurance system: how to imagine a system that is not too similar to the "Deficiency Payment" which had to be abandoned because of having too direct a relation to changes in prices and incomes?

**II-THE CHALLENGES OF FOOD SECURITY**  
The future of agriculture is facing new pressures, such as a growing world population, changing dietary habits, the development of agro-fuels, climate change and climate instability, the depletion of energy resources (whose prices directly affects the cost of production), natural resource degradation, reduction in global stocks, speculation, etc..

In this difficult context, INRA and CIRAD have developed two scenarios that could emerge from this context. To feed the 9 billion people expected by 2050, two options are available.  
The first would be to continue the current trend of patterns of production and consumption. Production increase by 88% and would of course meet overall aggregate demand but at highly unequal consumer prices, but above all a dramatic worsening in terms of both available resources and the environment.  
The second option aims to increase global production by only 28%. That would be enough to feed the 9 billion people that are expected to inhabit the world and the question of resources and the environment will be resolved..  
  
But for this scenario can be realized, three major conditions must be met:

* a rupture in the modes of distribution and consumption (reducing consumption of meat produced from processed grains and development of diets of 3000 calories / person / day)
* The development of intensive ecological agriculture and reducing post-harvest losses
* A reform of the WTO where the regulation of international trade in products of "food security" would be under the auspices of the United Nations and that the protection of less competitive agriculture in developing countries would be permitted.

**III PATHWAYS TO BE OPENED UP**  
*THE CAP*  
The Direct Aid currently for paid by the CAP are, for now, not challenged in the WTO, in so far as they comply with Appendix 2 - § 6. Decoupled income support of the Agreement on Agriculture of the Uruguay Round. According to this paragraph, it is not even required to submit the allocation of aid to environmental compliance!

However, the 37 billion euros of fixed direct payments, paid in a period of high world prices, appear increasingly as an economic absurdity and socially less acceptable in times of crisis, budget cuts and ... research competitiveness. As shown by INRA, these direct payments account in France for about 85% of the income of producers, up to 140% for certain products. The first studies conclude that this low competitiveness is due to low labor productivity in agriculture in France and over-investment in machinery and farm equipment ... probably due in fact to the aid received.

To feed 9 billion humans in 2050 without running the risk of increasing inequality and threats to resources and the environment requires a fundamental rethinking of the CAP guidelines, but also of modes of distribution and consumption. It is in this context that the Groupe de Bruges has to put forward proposals, not just at the CAP.

*The WTO*  
In the short term, the WTO should deal with high prices on the world market and their consequences for net food importing poor countries.  
  
A "mitigation" of measures of export restrictions could be applied, for example, to major exporters and "sensitive" products for food security.

The WTO should also enable poor countries, Least Developed Countries (LDCs) and small and vulnerable economies (EPI) to install a policy of flexible, transparent and predictable import and export restrictions.  
  
For the medium term, and to be able to meet the 2050 targets, as defined above, it is necessary to introduce the notion of sustainable development in agricultural rules of the WTO.

It is in fact necessary that the WTO supports the development of agricultural and food policies that allow production systems not only to adapt to the new demands of the ecological and social environment (resilience), but also have an impact on this environment to reduce, over time, the constraints (mitigation). See the diagram below.

**Agricultural and trade policies**

**Food security objective**

RISKS

IMPACTS

**Relation Agriculture environment ecosystem and socio-economic system**

**interventions**

**Ecosystem and socio-economic environment**

**resilience**

**mitigation**

*Source: F. Deodatus – J. Rocher "Evaluation environnementale et sociale stratégique Programme de Sécurité alimentaire – Burkina Faso – Sept. 2012*

**IV Some "modifications" of the WTO:**  
*Agreement on Agriculture*  
Domestic support:

* "Greening" of all the instruments, including the "Orange Box"
* Prohibit subsidies for the production of meat-based processed cereals
* Ability to use food security stock to "stabilize" agricultural prices

Border Measures:

* Flexible, transparent and predictable import and export restrictions for poor countries.

Intellectual Property, Sanitary and Phytosanitary Measures, Technical Standards:

* Monitoring changes in these measures when they are related to seed.

Agreement on Services:

* Open quotas for the movement of persons (Mode 4 of the Agreement) for climate refugees

Aid for Trade:  
• Design projects related to the stated objectives.  
  
**CONCLUSION**: these projects require a long-term commitment

*J. Rocher - St Sorlin April 2 2013*