Report on UK government, NGOs and the Common Agricultural Policy – Free and Fair Trade?

The United Kingdom is in the sometimes-unenviable position of being a member of various international organisations and subject to numerous treaties. For example, the UK is a member of the OECD (Organisation for Economic and Development), G8 (Group of Eight), WTO (World Trade Organisation), UN Security Council, and NATO etc. For British foreign policy and indeed polices which are aimed at international development, this can often present a problem. A particular example of one of the long-standing polices which the UK is tied into is the Common Agricultural Policy, or CAP.

The CAP is a multilateral system of subsidisation that is paid to EU farmers. Its main purposes are to guarantee minimum levels of production, so that Europeans have enough food to eat, and to ensure a fair standard of living for those dependent on agriculture.

The policy was set up against a backdrop of food shortages and rations following World War II, and had five founding aims:
- Increased productivity
- A fair standard of living for farmers
- Stable markets
- Regular food supplies
- Reasonable prices for consumers

And it was based on three principles:
- A single market in farm products with common prices and free movement of agricultural goods within the community
- Preference for community members
- Shared costs

The CAP came into existence in 1962 and has always been the focus of intense debate within the EU. The reason for this is that the EU is split over questions of viability, and cost of the system. Current estimates place the cost of the CAP system at around £30 Billion, (over 40 billion Euros) which is approximately half the total EU budget, the DTI (Department of Trade and Industry) estimates that this equates to an approximate value of £9 per household in terms of taxation. The dairy sector, in particular is heavily subsidised. One of the bizarre consequences of this is that, EU cows are better ‘paid’ then the 1.2 billion people who live on less then $2 per day in the World. Despite the aim to improve the livelihoods of the farmers (locally in the EU), there is evidence to show that this has not been achieved. For example, according to Oxfam within the dairy sector, the number of dairy farmers has fallen by over 50% in the last decade.¹

¹ Oxfam Policy Briefing, June 2003.
However critiques of the system do not just come from EU nations. An increasing number of Developing countries have been campaigning to put an end to the CAP system. Included in the these criticisms, are comments made by international Northern NGOs as well as those indigenous to LDCs (Less Developed Countries). The criticisms from the LDC fraternity can be summarised as following:

The EU subsides which are paid to the farmers in the Euro zone have been encouraging overproduction, ever since the CAP was established. The so-called butter mountains and Grain Mountains have been the result of such levels of production. It is clear that none of the surplus can be consumed locally. Therefore the surplus is ‘dumped’ on LDCs, within various regions, often at costs, which are more competitive then local production.

For example the high subsidies that are provided for the production of dairy products impacts both on the local economy such as the UK’s in terms or price distortions\(^2\); but also the cost of multilateral aid to UK taxpayers for projects such as the development of Indian Dairy Industry. These efforts are undermined by the unfair competition that comes as a result of dumping.

Another example of a market sector in which the EU production under CAP has had a disproportionate influence is that of Sugar. One of the LDCs that is most effected by subsidies which are available to EU farmers, is Mozambique. Approximately 80% Mozambicans are live in rural areas. The export potential of sugar is great, as the production costs are among the lowest in the World. The sugar sector is the largest employer in Mozambique, employing over 20,000 workers. Oxfam estimates that this figure could rise to 40,000 with the sufficient growth. However due to the generous subsidies for sugar production within the EU under CAP the normally very high (some of the highest Globally) costs of production with the EU mean that countries such as Mozambique are finding it difficult to compete.

So what does the future hold, and what has the UK government done to change this situation?

In June 2003, the EU met for a mid term review of the CAP system. The main reform was around the ‘decoupling’ of payments from the production of agricultural goods. This is deemed to bring production closer to market prices, as subsides will now be made as a one-off payment. In addition to this, payments are to be made once certain ‘cross-compliances’ are made. These are associated with following environmentally sound practises and for ensure the welfare of livestock.

The aim of the reform was to make the subsidies more sustainable, and to bring about a more realistic pricing policy. However, as critics of the reform have pointed out, the issue of dumping remains unresolved. Aileen Kwa\(^3\) from the NGO TWN Africa, argues that the subsides have in fact not been cut once one factors the costs which are to be borne for the 10 new scheduled members of the EU. She adds that the ‘decoupling’ of payments will not lead to a decrease in production as evidence

\(^2\) The price distortions are resolved by government sponsored advertisement campaigns that encourage the consumption of Milk, as promoted by the National Dairy Council.

\(^3\) Third World Network Africa – 26th August 2003
suggests that the previous reduction in cereal subsidies however production has increased by 25%. Alieen Kwa remains pessimistic about the effects on the Worlds poorest nations.

One of the main pressures for the reforming of the CAP has been the forthcoming WTO summit in Cancun. Critics argue that the reform has been nothing less then a public relations exercise that will result in mollifying the demands made by WTO. This will lead to yet more leverage within the WTO system, for the greater liberalisation of LDC markets, while retaining the privileged production and dumping regimes in the EU.

The UK is in a unique position to listen to the ‘voices of the poor’ in the shape of recommendations made by both Northern and Southern NGOs. However one cannot help feeling that even when reform takes place it is not out of concern for the world’s poor, but from the large political pressure that is presented domestically by a large farming lobby.