Advisory Group on International Aspects of the CAP
12 March 2012, Brussels

Statement of Solidarité (www.solidarite.asso.fr)

Solidarité has signed and endorsed fully the "Civil Society Statement on the international responsibility of CAP" prepared by ECVC and CONCORD so that we will not duplicate here the arguments of this statement but rather complement them.

Pondering on the international aspects of the CAP is particularly appropriate if we remember that, from its birth in 1962 to the present debate on the next CAP for 2014-20, the CAP rules have always been devised under the actual or alleged constraints of the international trade rounds of GATT and WTO. And it is because the Doha Round has been in a permanent stalemate since 2001 that bilateral trade agreements have exploded in recent years.

Although the man in the street knows that agricultural markets cannot self-regulate – as a result of the inelasticity of food demand facing a supply subject to climatic vagaries, not to speak of an increased volatility of agricultural prices in dollars and exchange rates –, agricultural policies worldwide, and particularly the CAP, have embarked since the 1980s in the reversal of the mainstream economic paradigm in favour of trade liberalization in all sectors. The basic premise was that agriculture had no reason to keep the specific exemptions to the GATT rules that it had enjoyed up to the birth of WTO in 1995. Indeed there was practically no limit to the level of applied tariffs and it was possible to use more efficient tools of import protection than *ad valorem* tariffs, particularly variable levies which have been at the root of the formidable growth of the EU agricultural production, or import quotas largely used by the US.

Unfortunately the GATT tolerated also unlimited amounts of export subsidies, which have been highly detrimental to developing countries (DCs)' farmers and agro-industries. The EU has been a champion on that issue, with €11.4 billion of export refunds notified on average from 1986 to 1900, including €2.3 billion of stocks exported at a loss. But, if the EU formal export refunds have shrunk from €3.726 billion in 2003 to €385 million in 2010, its actual dumping has not decreased significantly because the refunds have been largely replaced by the increasing domestic subsidies – granted to compensate the reduction of agricultural prices in the CAP reforms of 1992, 1999 and since 2003 – which have benefitted as well to its exported products.

This reduction of agricultural prices below the EU average production cost has been a radical policy change under the pressures of European and global agro-industries to become more competitive on their domestic market and globally. This change was in line with the short-sighted view of the EU macroeconomic policy makers: as the EU agriculture represents only 1.5 percent of the EU GDP plus 2 percent for the EU agro-industries, it seemed logical to offer concessions on agriculture to the emerging economies as a bargaining chip to open their markets to larger EU exports of non-agricultural products and services. Yet, if the Doha Round were eventually concluded on the basis of the Draft modalities on agriculture of 6 December 2008 prescribing an average cut of 54 percent in the agricultural tariffs of developed countries, and even of 75 per cent on tariffs exceeding 70 percent, the EU agro-industries would no longer be competitive and would disappear, the more so if an agreement with Mercosur were concluded. On this issue we share the COPA-COGECA's view that concluding the Doha Round could imply a loss of at least €19 billion euros to the EU agricultural sector, not to speak of the losses of agricultural employments and of all the positive effects of a peasant agriculture on agro-ecological production systems, town and country planning, and animal welfare. However the two hats of this organization – agricultural union and cooperatives union – allows some doubt about COPA's actual commitment and capacity to convince COGECA that it should prioritize its EU domestic market on which the EU agro-industries have been selling 75.1 per cent of their processed food products from 2006 to 2008, and on which the EU farmers have also sold 84.5 per cent of their unprocessed food products. The more so as the EU cooperatives are in a process of rapid concentration and have adopted, such as Tereos in France, global strategies with capitalist subsidiaries more and more similar to those of the giant agribusiness corporations, with the risk to outcompete their European farmer members.

The EU27 should all the more prioritize its domestic market that its food trade deficit has reached on average, from 2000 to 2010, €16.8 billion fish included or €5 billion without fish. As it has had an average food trade surplus of €17.4 billion over the developed countries, of which €11.9 billion over Western countries and €5.5 billion over Russia, the end result is that the EU has received an average food aid of €34 billion from DCs. Before contemplating to feed DCs, the EU should cease to be fed by them, with detrimental environmental and social costs in DCs as underlined by the ECVC-Concord paper.

Since reducing the EU Budget, particularly on agriculture, is the first concern of all the EU Authorities, rebuilding the EU farmers' incomes on remunerative prices would allow to halve the €40 billion of direct payments, limiting them to farms whose production cost exceeds the EU27 average and to those of a too small economic dimension but which should be maintain in farming for multifunctional reasons, particularly in the present times of rapidly increasing unemployment.

The EU responsibility in the plight of most farmers in poor DCs

So much so for the survival of the EU farmers and agro-industries. But a much bigger issue is the EU responsibility in the plight of most farmers in poor DCs, particularly in Sub-Saharan Africa (SSA) and South Asia, who account already for the bulk of the chronically hungry and who will face the largest demographic explosion up to 2050. Indeed, if the EU farmers have been able up to now to cope more or less with the rules of the WTO Agreement on Agriculture (AoA) through its allowed subsidies of the blue and green boxes and owing to fairly high tariffs on its basic food staples – dairy, cereals, sugar, meats –, the poor farmers of SSA were deprived of compensation to the low domestic prices imposed by the IMF and World Bank's structural adjustment policies and Western countries' trade policies, particularly the EPAs (Economic partnership Agreements) with the EU, whereas they had at the same time much lower tariffs to protect them.

In fact the EU has largely benefitted and the poor DCs hugely suffered from the biased definitions of dumping and authorized subsidies in the GATT and AoA: there is no dumping as long as products are exported at domestic prices, even if they have been lowered below average production costs. This definition explains why and how the CAP and US Farm Bill have been reformed since the 90s: lowering by steps domestic prices to their world levels and compensating farmers through allowed subsidies will raise the competitiveness of their agricultural products at the export and import levels and the profits of their agro-industries. We should not be duped by the WTO Ministerial Declaration of 18 December 2005 in Hong Kong "*To ensure the parallel elimination of all forms of export subsidies and disciplines on all export measures with equivalent effect to be completed by the end of 2013*", a statement endorsed by COPA-COGECA which "*reiterates its call for parallel elimination of export subsidies and all other similar forms of public support to exports by all members of WTO. In the meantime, the EU should maintain its export subsidy mechanism but should not use export subsidies on exports to LDCs or ACP countries*". Everybody knows that "*all forms of export subsidies and disciplines on all export measures with equivalent effect*" aimed only at export credits, export credit guarantees, exporting state trading enterprises and some types of food aid, and not at the huge domestic subsidies benefitting to exported products. Hence COPA-COGECA refuses to consider that the EU huge direct payments benefitting to exports to LDCs or ACPs have a dumping effect even though it acknowledges that "*On average direct payments represent two-thirds of farmers' income in the EU 27*". Yet the WTO Appellate Body (AB) has ruled in the Canada Dairy case of 3 December 2001 that dumping should take into account domestic subsidies to the exported products: "*The distinction between the domestic support and export subsidies disciplines in the Agreement on Agriculture would also be eroded if a WTO Member were entitled to use domestic support, without limit, to provide support for exports of agricultural products* (paragraph 91). The Appellate Body has confirmed the 20 December 2002, in the same case, that "*If governmental action in support of the domestic market could be applied to subsidize export sales, without respecting the commitments Members made to limit the level of export subsidies, the value of these commitments would be undermined. Article 9.1(c) addresses this possibility by bringing, in some circumstances, governmental action in the domestic market within the scope of the "export subsidies" disciplines of Article 3.3.*" (paragraph 148).

Indeed the distinction made in the AoA between amber, blue and green subsidies according to their alleged level of trade-distortion – at the basis of the CAP reforms, particularly that of 2003 – is a pure myth without any scientific justification. All domestic subsidies to exported products, whatever the box in which they are classified, are actual export subsidies. The most absurd example is given by the EU and US cotton exports in 2009, which had reached 105% of the production level in the EU, implying to export stocks, and 99% in the US. Even though the EU does not use export refunds on cotton (nor the US) but has the highest domestic aid per tonne – €3,268 € or $4,558 in 2009, 3.1 times more than the $1,460 in the US –, domestic subsidies have reached 241 per cent of the export value (€730 million against €303 million), even if the bulk of them was hidden in the SPS (single payment scheme). Yet, according to the AoA rules, there was no dumping.

Despite that the EU has notified its SPS in the AoA green box from 2005-06 to 2007-08 (last year notified), any prosecution at the WTO is sure to put it in the amber box as not fully "decoupled", for the following reasons:

- After the precedent of the WTO Appellate Body ruling on cotton of 3 March 2005 that the US fixed direct payments are not in the green box – because farmers receiving them are prevented to grow fruits, vegetables and wild rice –, the EU SPS will be much more easily put in the amber box. Because the EU maintains interdictions or caps on many more products: milk and sugar production quotas, wines plantation rights, caps on cotton, tobacco, olive oil, permanent crops, potatoes other than for starch…
- The SPS remains coupled to agricultural area as farmers must show they have eligible hectares to "activate" payments. The same will happen with the BPS (basic payments scheme) proposed for the new CAP 2014-20. Besides, farmers getting SPS must "*ensure that all*

agricultural land is maintained in good agricultural and environmental condition" and Annex 4 of the Council Regulation No 1782/2003 of 29 September 2003 specifies that this implies "*Minimum livestock stocking rates*", which is clearly a production. The fact that the BPS in the new CAP 2014-20 would only be granted to "active farmers" would be another evidence of its coupling to production.
- A large part of the SPS is granted to feed (cereals, oilseeds meals, pulses) and feedstocks for agrofuels (vegetable oil, cereals and sugarbeet), which are both input subsidies to be notified in the amber box for developed countries (AoA article 6.2).
- The SPS is coupled because it coexists with blue box payments or amber payments for the same products. According to the AoA article 6.5, the blue box payments are granted "*under production-limiting programmes*" whilst the SPS allows to produce any product – otherwise it will not enjoy a full production flexibility –, including products whose production is forbidden or capped.
- Last, but not least, as the SPS cannot be assigned to a particular product, it is attributable to any product of which it lowers the sale price below the EU average production cost. Therefore all EU agricultural exports can be sued for dumping, even products which have never received any direct payment as fine wines, as long as their producers get SPS or SAPS for other productions, which applies practically to all EU27 farms to-day.

The EU Commission prefers to bury its head in the sand and forget that it has agreed, if the Doha Round is concluded, to cut by 80% its allowed level of "overall trade-distorting domestic support" (OTDS) of June 2001 at the end of the Round implementation period, that is to €18.1 billion. As its applied OTDS was already of €80.6 billion in 2006-07 after considering that the SPS is actually in the amber box and redressing other EU under-notifications[1], this would imply an almost total elimination of the €40 billion of the present SPS and the bankruptcy of most EU farmers. Oddly enough the EU Commission and mainstream economists prefer to ignore likely prosecutions against the SPS, even after the possible signatures of FTAs with India and Mercosur.

Therefore, to comply with the EU Policy Coherence for Development (PCD) enshrined in the Lisbon Treaty art. 208, but also to ensure the survival of its own farmers and agro-industries, the EU must:

1) First of all reverse completely its position at the WTO and in all its FTA, pleading to rebuild the AoA on food sovereignty, i.e. on the right to every country or regional grouping of countries to protect its domestic market at the import level without dumping of any kind on other countries' domestic market. This would not be a revolution but a simple return to the situation prevailing before 1995. An efficient import protection is the only way out of poverty when farmers represent the majority of the active population and when the countries have missed the train of industrialization as in SSA. "Kicking away the ladder"[2], i.e. preventing DCs to use the high import protection that the EU (and US) have been using for decades, is a short-sighted view which will compromise the EU long-term selfish interests of letting these countries build first a strong agriculture as the basis of their overall economic development which will benefit afterwards to EU non-agricultural products and services.

At this stage it is worthwhile remembering the positions taken by the former EU Commissioners for trade and agriculture, Pascal Lamy and Franz Fischler, on the eve of the

[1] J. Berthelot, *The CAP subsidies are incompatible with the WTO Agreement on agriculture,* 31 March-1st April 2010, http://www.solidarite.asso.fr/IMG/pdf/CAP-subsidies-incompatible-with-the-WTO-AoA.pdf
[2] Ha-Joon, Chang 2002.

WTO Ministerial conference in Cancun in September 2003: "*Us, Europeans, we refuse to submit fully agriculture to the law of comparative advantages, that of the pure liberalism. Agriculture is not coal, and our farmers will not be the miners of the 21st century, doomed inexorably to disappear given their supposed economic inefficiency… Maintaining border protections, for those who want it, is not only legitimate but also necessary… Together with the low income countries, we share the concern of not opening agriculture to the large winds of liberalism… The trade balance of low income countries has a trade deficit of 2 billion euros in bovine meat, ovine meat, sugar and cereals. The wealthiest countries of the Cairns Group are net exporters of these food products with a surplus of 17 billion euros. Who could be convinced that a total liberalization will benefit the poorest countries?*[3]"

In the Doha Round Members have permanently spoken of "offensive" and "defensive" interests. Each Member should have the policy space to fix its defensive interests as it wishes, provided it does not harm other Members by offensive actions. An efficient import protection should be a right of all WTO Members for all products and services, and access to the market of other Members should never be considered as a right. Dumping, the most aggressive "offensive" action, should be prohibited and defined as exports made at prices below the average full production cost of the country, taking into account all types of upstream and downstream subsidies and cross-subsidization.

As, for economists, protection refers to any public support improving the competitiveness of domestic products vis-à-vis foreign products, import protection is the least protectionist way of supporting farmers all over the world and should be recognized as such at the WTO. Indeed it is the only type of support affordable to poor countries whereas subsidies are the most protectionist types of support as they are only affordable to rich countries. As Vandana Shiva puts it, "*Free trade is not anti-protectionism. It is the protectionism of the mighty"*.

2) In the meantime, renounce to impose bilateral trade agreements forcing the EU partners to lower their agricultural tariffs on EU exports competing with their domestic production. The more so when the EU demands that tariffs be lowered below the EU own level, as it is the case for dairy, meats, sugar, wheat of low or average quality and barley. The more so as the EU has refused to tackle the issue of agricultural subsidies in all its FTAs, claiming that it is an issue which can only be dealt with at the WTO.

The specific case of the EU-India FTA

India and EU have been negotiating an FTA since 2007, officially known as Bilateral Trade and Investment Agreement (BTIA). The EC document prepared before the last official India-EU Summit in New Delhi on 10th February 2012 indicates that the EU is not satisfied with India's initial tariff offer, particularly on dairy (SMP, WMP, whey and cheeses) and spirits (mainly Scotch whisky) but also on poultry, olive and other oils, pasta, chocolates, biscuits, confectionary, food preparations including infant formula, roasted cereal preparations, some processed fruit and vegetables. Let us concentrate on dairy and spirits.

Though India's growth rate has been between 8-10% in the last ten years and if it has 55 billionnaires in 2011, it continues to hold the largest number of the world's poor, with 224

[3] Pascal Lamy and Franz Fischler, *Cancun: agriculture and liberalism,* http://ec.europa.eu/archives/commission_1999_2004/lamy/speeches_articles/spla186_fr.htm

million or 27% of the population in chronic hunger in 2006-08[4], and 42% of the population below the poverty line of $1.25 a day and 76% below $2 a day. While incomes in the past years rose for less than a third of India's population, inequality dramatically increased.

Dairy

Table 1 gives some data on the EU and India's tariffs on dairy products, which show that the EU tariffs are much higher than the India's ones. Here we have to stress the huge mistake made in all papers dealing with this FTA, saying that the EU has a much lower agricultural tariff than India because the average tariff does not mean anything. Even if the EU average tariff of its 2,202 agricultural tariff lines, taking into account preferential tariffs or zero tariffs which apply mostly to tropical products that the EU cannot grow and feedstuffs, is of about 10.5%, for its basic food staples the EU has much higher tariffs than India so that it has practically maintain its food sovereignty on these staples: for frozen meat (beef, pork, poultry) the mean tariff is of 66% but 66 tariff lines of meats exceed 100%; the mean tariff is of 87% for dairy but 41 tariff lines exceed 100%; for cereals and cereal products the average tariffs are around 50% but 13 lines exceed 100%; for sweeteners the average tariff is of 59% but 8 tariff lines exceed 100%[2]. Yet in the FTA the EU wants that 90% of Indian tariffs be cut to zero. India does not benefit from the GSP for dairy – contrary to South-Korea which has signed an FTA with the EU – and is subject to the high MFN tariffs. The EU MFN tariffs are so high that they are deterrent and its only imports come from countries benefitting from preferential preferences, particularly those granted to the Commonwealth countries when the UK joined the EEC in 1973, mainly New Zealand, and more recently to Switzerland. Casein is the only product for which the EU tariff is low.

Table 1 – Comparison of some EU and India applied dairy tariffs

	Milk-cream	Concentrated milk	Yogurts and other fresh products	Whey	Butter	Cheese	Casein
Some EU tariffs							
Erga omnes	129-1837€/t	475-1672€/t	205€/t-8.30%+1688 €/t	70-220€+1620€/t of lactic matter	1896€/t	1449€/t	3.20%-9%
GSP			4.80%+950€/t		948€/t	719€/t (TQ)	0%-5.50%
India dairy tariffs							
	30%	30 - 60% (SMP)	30%	30%	40%	30%	20%

The EU27 dairy exports have reached an average of €5.858 billion from 2000 to 2010 of which €7.632 billion in 2010, with imports of respectively €891 million and €746 million so that its net surplus has been of respectively €4.967 billion and €6.886 billion. The EU27 dairy trade with India is almost inexistent as the EU exports have been of €13.3 million on average from 2000 to 2010, of which €26 million in 2010, against imports of €10 million on average from 2000 to 2010, of which €19 million in 2010. 88% of EU exports to India in 2010 concerned lactose (64%) and whey (24%) whereas casein has represented 99.4% of Indian exports to the EU. However in its global dairy trade, India enjoyed an average surplus of $101 million from 2000 to 2010, 54% of which being attributable to milk powder. The surplus has reached $154 million on average from 2007 to 2010, although it has turned into a first time slight deficit of $0.835 million in 2010. This is because demand is growing at a pace of 8% per year against 4% for production so that India has permitted duty-free imports of up to 30,000 tons of SMP and 15,000 tons of butter oil from April 2010 to March 2011.

[4] Ecofair trade Dialogue, *Right to food impact assessment of the EU-India trade agreement*, 2011, http://ecofair-trade.org/sites/ecofair-trade.org/files/downloads/11/12/2011-12-ecofair_rfia.pdf_2.pdf

India is the first milk producer in the world with 122 million tonnes or 17% of the world production in 2010-11, from 75 million small and landless producers, 80% of them women, with 110 million dairy cows and female buffaloes. The average producer has only 1.5 cows or buffaloes (56% of milk come from buffaloes), with an average yield of 2 litres per day per animal and a price of around €0.24 per litre despite an official support price of €0.28 per litre (17 rupees, at the exchange rate of 60.64 rupees in 2010), that most producers did not get, first because 50% of production is self-consumed in rural areas. This implies a price 25% lower than in the EU27 which was of €0.32 per litre in 2010. Furthermore, whereas the EU dairy exports have benefitted from specific subsidies of around €0.09 per litre in 2010 and total subsidies of €0.15 (if we add subsidies of the non-product-specific amber box and of the traditional green box), the Indian small farmer has not received any. Naturally, beyond the 75 million small milk producers, overall 90 million jobs along the dairy chain are at stake. Besides in 2008/09 the value of dairy products alone was €2 billion higher than the combined output from rice and wheat.

In that context the EU strategy on milk is absurd. The EU has always had to export around 10% of its production with a high dumping detrimental to DCs because milk quotas had been fixed largely above domestic needs. Instead of reversing this policy in recent years the EU has expanded the quotas, allegedly to follow a "smooth landing" because it wants to eliminate them in 2015, which has materialized in the milk price crisis for the EU producers, a crisis which cannot but worsen in the future. Instead of being lured by the short-term interests of the dairy industry lobby, the EU Commission should adopt a long-term view given that, to feed the 9.3 billion human beings in 2050 and as we have only one planet, the consumption of meats and dairy products should be halved in the developed countries, as documented in the CIRAD-INRA Agrimonde1 scenario and the Solagro Afterres2050 scenario.

Wines and spirits

The EU average export of wines and spirits has reached €11.170 billion on average from 2000 to 2010, of which €14.132 billion in 2010, against imports of respectively €3.544 billion and €3741 billion, hence surpluses of respectively €7.626 billion and €10.391 billion. Spirits have accounted for 53.3% of exports on average from 2000 to 2010 but only 46.9% in 2010.

India has been a very small outlet for EU exports as the average total EU27 exports of wine and spirits to India from 2000 to 2010 have been of €40.26 million of which the spirits have accounted for 85.7% (34.5 M€) and wine for 14.3% (5.7 M€), of which 64% of the total for wine from fresh grapes and 35% for sparkling wine. The data for 2010 have been of €61.020 million, of which 89.6% (€54.7 million) of spirits. Whisky has represented 86.6% of all spirits from 2000 to 2010 and 88.4% in 2010. Whisky export value to India has risen 3.8 times from 2000 to 2010, at a rate of 12.9% per year, against 3.7 times for all spirits and 2.2 times for wines.

Oddly enough India is the largest spirits market in the world, with 250 million cases sold each year, of which 140 million cases are whisky – the biggest consumer in the world – but only 1.5 million cases of that is genuine Scotch whisky because of a 150% tariff on imported whisky. In fact 90% of the whisky consumed in India is made from sugar molasses, 9% from cereals and the imported whisky has only a market share of 1%. The Indian government has eventually recognized in July 2011 that Scotch whisky was a Geographical Indication so that the local whiskies can no longer use this label.

Tariff on wine is roughly of 160% but certain States add specific excise duties on imported wine and spirits and all imported wines, including domestic wines, pay the value added tax of 20%. Indeed alcoholic beverages are a state subject in India, so each state has its own rules and regulations and duties & taxes on wine. The EU has prosecuted in 2006 and won at the WTO the specific added taxes on imported wines and spirits not paid by Indian wines and spirits (contrary to the national treatment clause of GATT Article III:2), and the Indian federal government has complied with that in July 2007 but some States have continued to impose additional taxes on imported wines and spirits. Indian wines represented 88% of wine consumption in 2008-09.

For the CEPS, the European spirits organization, "*The FTA Negotiations between India and the EU were opened in 2007. The spirits industry's main priority is to secure the elimination of the Basic Customs Duty (BCD), which is currently applied at the WTO bound rate of 150%. Progress on the FTA has been extremely slow. CEPS has met with the Commission on several occasions to make sure that our concerns are discussed with India*"[5].

Finally, it appears that "*According to the EC internal document, India has offered to bring tariffs on wines and spirits to 75% at entry into force and reduce to 40% in 3 years (wine) and 4 years (spirits). However, this offer is not acceptable to the EU. It is seeking substantial reduction in both cut-off points and end duty levels. In particular, EU is demanding 20% for the top band in a 2-band system, for both wines and spirits; 30% in the middle band and 20% in the top-band, in a 3-band system for wines only*"[6].

To what extent the EU wines and spirits are they subsidized? From 2000 to 2010 the EU wines and spirits have received an average of €1.260 billion of direct subsidies, covering the following areas: export refunds (€15.7 million), wine storage (€57.9 million), alcohol storage (€174.6 million), distillation (€279 million), aid for must (€141 million), restructuring (€314 million), grabbing-up (€69.7 million), State programs (€156.7 million), dried grapes (€21.3 million)[7]. But whisky has also benefitted of the subsidies to the cereals used in its preparation and, to a tiny extent, of the export refunds to the cereals processed into the exported whisky, which have almost disappeared since 2000:

Table 2 – Export refunds on cereals used in exported whisky

€1,000	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Average
Export refunds	16300	-	228	146	229	446	1361	421	-	-	-	1739

Table 3 – EU27 whisky exports from 2000 to 2010

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Average
To the whole world												
Million litres	323	332	323	345	356	395	419	452	447	419	472	389
€ million	2201	2295	2323	2153	2080	2403	2623	2821	2599	2441	3017	2451
To India												
1000 litres (tons)	2927	3886	4022	5522	5698	7366	9707	12548	13255	13708	19850	8953
€1,000	12764	16008	14946	19499	20291	38307	36372	49450	40836	31772	48339	29871

Source: Eurostat

[5] http://www.europeanspirits.org/documents/Annual_reviews/AnnualReview20092010.pdf
[6] Kavaljit Singh, *India-EU FTA: Where is the Europe's Trade Agenda Headed?*, http://www.madhyam.org.in/admin/tender/India1.htm
[7] http://ec.europa.eu/agriculture/markets/wine/facts/annex_4-5y_en.pdf

On average the EU27 has exported 389,253 tonnes (about 389.253 million litres) of whisky from 2000 to 2010, of which 471,767 tonnes in 2010. We do not know what has been the average alcohol content of the exported whisky, which is usually sold now at a rate of 40% alcohol. To make 1000 litres of such whisky you need about 5760 kg of cereals so that the 389,253 million litres of exported whisky have processed 2.242 million tonnes of cereals and the 471.767 million litres of 2010 have processed 2.717 million tonnes of cereals. If we take only the direct payment to cereal of 61 €/tonne (€63 less the "modulation"), without export refunds and other amber box subsidies, the average subsidies have been of €137 million on average from 2000 to 2010 and €166 million in 2010. However, because the export refunds have almost disappeared since 2000, whisky exporters have used intensively the inward processing regime implying that most cereals processed into whisky have been imported from outside the EU27 from 2000 to 2007, at a period when the EU prices were significantly higher than world prices. Nevertheless from 2009 only EU27 cereals have been used so that the subsidies can be fully taken into account. So that the 19,850 million litres exported to India in 2010 have processed 114.336 tonnes of cereals and benefitted from almost €7 million of subsidies.

Yet, it is quite appropriate in a poor country like India, to maintain high tariffs and domestic taxes on such luxury goods as wines and spirits and to differentiate between local products and imported ones, despite the GATT national treatment clause. Besides, as said in an article of April 2011"*With the aid of high import and excise tariff, India has developed a small wine industry over the past decade as production has expanded nearly 300 per cent since 2003 to an estimated 13.5 million litres*"[8]. If the FTA were signed, there would be considerable loss of revenue for the Government, with serious impact on spending in social sectors like education and health and to increase domestic taxes to compensate this loss. The same would happen for the high tariffs on luxury cars that the EU wants to erase.

By the way, according to an EU Commission report of 2010, although the EU is a common market, the excise taxes on wine and alcohol differ widely among the 27 Member States: on still wine duties range from €0 to €328 per hl of product whereas on ethyl-alcohol (among which spirits) duties range from €562 to €5,155 per hl of pure alcohol[9]. And the report concludes that this high differentiation in tax levels "*means that Member States could make use of this possibility (even in the future) to hinder free movement of goods in the EU*", hence contrary also to the GATT national treatment even though this occurs within the EU alleged common market. Furthermore "*Excise duties on alcoholic beverages constitute an important source of tax revenue in the EU27. Duties are an important contribution to Member States' finances and revenues range from 0.2% to 3.5% of total tax revenues (excluding Social Security). Total duty receipts in the EU27 amounted to €30.6 billion in 2007 (ETHYL ALCOHOL: 46% of revenues, BEER: 33% and WINE:19%)*".

Let us conclude on the EU-India FTA with the statement of the UN Special Rapporteur on the Right to Food: “*This FTA represents a clear risk to India’s obligation to respect, protect and fulfill the right to food if sensitive agricultural sectors were opened to subsidised EU exports and European investment in retail and land*”[10].

---

8 http://www.indianexpress.com/news/domestic-wine-industry-grows-300/777295/

9 http://ec.europa.eu/taxation_customs/resources/documents/common/publications/studies/min_rates_sum.pdf

10 http://www.bilaterals.org/spip.php?article21078&lang=en