

## **The debate on taxing the EU agricultural subsidized exports between Karin Ulmer (Act Alliance) and Jacques Berthelot (SOL)**

*This is a fundamental debate initiated on 24 September 2018 by Karin and Jacques but which should be expanded to many other EU stakeholders as well as to those outside the EU. The debate surges after the proposal of the French platform of 33 associations "Pour une autre PAC" presented at the French Assemblée Nationale on 21 September 2018 ("Osons une vraie réforme de la Politique Agricole Commune")<sup>1</sup>.*

Karin Ulmer's comments are in black police Calibri 11 and  
[Jacques Berthelot's responses in blue police Arial 11]

A question on Jacques's proposal for the WTO/CAP review:

In his comments, Jacques refers to : "On agricultural domestic subsidies, the EU should adopt the Proposal for another CAAP<sup>II</sup> presented by its platform of 33 organizations on 21 September 2018 to the French National Assembly, among which the **provision of taxing all agricultural exports by the amount of included subsidies** (including those to feed in animal products). "

Are there more details on this demand?

[There was a consensus of the 33 associations of the network "Pour une autre PAC"]

Who would calculate this?

[all agricultural economists are welcome to do it, including those of the EU Commission monitoring the FADN (Farm Accountancy Data Network) calculations: [http://ec.europa.eu/agriculture/rica/database/database\\_en.cfm](http://ec.europa.eu/agriculture/rica/database/database_en.cfm). However these calculations are not precise enough and several NGOs, particularly SOL, have calculated these subsidies taking into account the EU exporting country as well as the importing country, particularly for dairy products and cereals (including processed cereals), and I can do the same for all food products (and agricultural products in general) but of course this requires time. Naturally private trade experts could also do the job, as it was the case in the recent US imposition of anti-subsidies duties on imports of table olives from Spain but this would be very expensive. Incidentally I can say that, during the proceeding on US cotton exports case in 2002-03 I have brought some help (free) to the US law firm which has assisted Brazil to sue the US. I have also done some work (paid) for an Indian law firm on the EU subsidies to exports of dairy and wines and spirits.]

Who would approve this?

[The WTO division in charge of Trade Policy Reviews (TPRs) should approve or amend them and they should be discussed in the Agricultural committee regular meeting or a special sub-committee could be created for this].

What is the leverage for getting this approved or passing with WTO members, EU?

[First the WTO Members should debate and agree that all domestic subsidies to exported products can be sued for dumping: see my analysis of the US imposition of antidumping and

anti-subsidies on imports of table olives from Spain; see also my draft ppt presentation for the WTO public forum on 2 October.]

As you know, actalliance eu keeps working and looking in detail at the CAP and its dilemmas, or the EU's hypocrisy.

Now, the proposal that we are finetuning as ACT EU, is that the evidence suggests that **the single most effective trade policy tool for ACP countries is to use quantitative restrictions** (for example trade related quota, or simply issue a ban and stop import in case of import surges) in order to protect and build its own agricultural productive capacity and livelihoods of small scale farmers, in line with SDGs (2.3 target), in line with EU development goals, etc. However, this is prohibited by the EU in all the EPAs (!, the existing safeguards are not effective; asymmetries still curb the needed policy space).

[I disagree because, as most governments of poor countries, especially of SSA, are not democratic and care only on their reelection, and also because they are subjected to so many pressures from the EU and its Member States, they won't be able to impose quantitative restrictions and a fortiori bans. That is why they are the developed countries, here the EU, which must tax their exports of the amount of included subsidies.]

The EU could simply and unilaterally grant the use of trade defence measures to be more flexible and generous. There is no need to evoke WTO for this, because the EU is restricting in its bilateral EPAs the existing policy space that is available under WTO rules.

[No, we need to change the WTO rules for all countries, beginning by the definition of dumping in GATT article 6, a definition at the root of EU and US radical change of their farm policies from the early 90s: "no dumping as long as products are exported at the domestic prices", which led the EU and US to lower drastically their agricultural minimum (administered) prices, compensating farmers with huge domestic subsidies considered non-trade distorting].

Hence, the question to Jacques and the CAAP: calculating taxes on the imports equivalent to CAP subsidies [no! taxes on EXPORTS] (that currently are still granted, i.e. notified and pass at the WTO in amber box) [and mostly in the green box for the alleged decoupled payments of the BPS] seems a rather difficult request [difficult for whom?]. It also is a question: would we really want the EU to have to go through a WTO challenge on CAP subsidies?

[Of course we do, I have been expecting this for such a long time, and pray every day for it, and I have rejoiced in the recent US antidumping and antisubsidies duties against Spain, as it will inevitably be transferred to the WTO, whether the EU sues the US, challenging that its subsidies are WTO compatible, or does not challenge them, implying it recognizes that its subsidies are there, are huge and not decoupled.]

Or do we use existing threats at WTO by WTO members to push CAP reform to NOT INCREASE use and flexibility of Voluntary Coupled Support, which is the current proposal in the EU's CAP legislative proposal

[but this legislative proposal is meaningless and the coupled support are miniscule compared to the alleged decoupled ones.]

Besides, SDG 2.3. Target: "By 2030, double the agricultural productivity and incomes of small-scale food producers, in particular women, indigenous peoples, family farmers, pastoralists and fishers, including through secure and equal access to land, other productive resources and

inputs, knowledge, financial services, markets and opportunities for value addition and non-farm employment” - In order to double the agricultural productivity, we don't want more fertiliser, pesticides and EU agrobusiness taking over markets and monocroppings, but we want first above all, structural reforms of African local and national and regional markets that empower smallholders and move towards more agr-ecological farming practices.

[I agree with these objectives but they could not be reached as long as the EU would continue to dump its agricultural exports with huge subsidies, coupled and decoupled. Of course the same way should be followed by the other countries, which is why, being the largest provider of subsidized agricultural exports, the EU should take the lead to change the WTO rules for all countries. Which implies clearly many other conditions, the first being that the EU should cease to impose EPAs to ACPs.]

*On 26 September Karin commented my above reactions as follows, so that my comments to her's follow:*

1-ACP countries are de facto using effectively import bans. See epamonitoring.net

[I know, but on a small and often temporary scale: on onions, potatoes, even if they more permanent for poultry in some SSA states (Cameroon, Côte d'Ivoire, Senegal) but this is not generalized to all SSA countries (SADC countries are suffering a lot). Besides the main author of epamonitoring, Paul Goodison, does not take into account the huge feed subsidies into poultry exports as well as in the other animal products (dairy, bovine meat, pig meat, eggs). Not to speak of his assumption that the whole code 190190 corresponds to FFMP (fat filled milk powder), which is not true.]

2- You expect the EU to tax its own exports to increase price?

[Of course, this would lower much all EU agricultural exports but we have to choose: either we take seriously the SSA's treble challenge of population explosion, climate change and rising food deficit (if we delete its surplus in cocoa, coffee, tea, and spices, which are not basic staples) and the EU claim to attack at the root the issue of unwanted immigrants, or we attack at the root these challenges despite the growing discontent of most EU farmers unless we return to the pre-1992 CAP reform by ensuring remunerative prices, the subsidies being limited to farms in disadvantaged areas, while complying with the WTO rule that exports should be made at prices covering the average total national production costs without subsidies (Appellate Body rulings of December 2001 and December 2002 in the Dairy products of Canada case).]

3- Is there any support from the French gov' or MPs or professional associations on this?

[Of course the FNSEA, the agricultural union representing the largest farms, disagrees with this proposal (see the attached record of the debate), but it was the only one, claiming that the Africans do not complain about the EU exports of poultry rumps and wings, or EU cereals, which reveals its total ignorance of the huge SSA farmers' protests against this dumping, not to speak of milk powder. EU farmers are all requesting that their income be based on remunerative prices but at the same time the larger farmers want to keep their huge decoupled subsidies, wanting the butter, the butter money and the smile of the she-dairy keeper!

What is necessary is that all the other EU stakeholders other than farmers and upstream and downstream agribusiness agree to rebuild the CAP on food sovereignty for themselves and the rest of the world, and to propose a calendar over 5 to 10 years to progressively raise and stabilize farm prices (through variable levies, as between 1962 and 1992) while lowering in parallel the subsidies.]

4-yes, the US challenge on Spanish olive case is interesting, and watched very carefully by the Commission, but you really want to side with this current US gov on this?

[Of course I do, notwithstanding the other large disagreements we have with Trump's trade policy.]

5-yes, direct aid and decoupled aid: both need to be addressed; right

6-perhaps, as a stepping stone to your creation of a special sub-committee to the Agricultural Committee in the WTO, we could already ask the EU to take a first step and expand its own existing mechanisms and suggest a set of options as measure to be taken.

[No, the EU (Commission, Council and Parliament) won't move unless there is a large democratic consensus and pressure on the EU, which should begin in the Eastern EU Member States which have become at the same time large exporters of poultry and cereals to SSA (Poland, Romania) and the most hostile to welcoming immigrants. Incidentally do you know that Poland is by far the first net beneficiary of EU Budget, at €9 billion a year, to be compared to the €1.3 billion a year of the EPADP (PAPED) fund to West Africa EPA.]

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<https://pouruneautrepac.eu/article/41>