Analysis of Jean-Christophe Debar's remarks, discussant of Jacques Berthelot's presentation on decoupled aid to Spanish olives at the SFER on 26 March 2019

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The purpose of this note is to respond to Jean-Christophe Debar's (JCD) objections to Jacques Berthelot's (JB) analysis[1], who sincerely thanks him for accepting the difficult role of discussant, not to polemic but to deepen the debate on a subject very important for the future of the CAP (Common Agricultural Policy) and the WTO rules on agricultural subsidies. If I may have misinterpreted his arguments, I apologize for that and the debate can continue.

Basically, JCD's objections consist in opposing the legal and economic interpretations of JB's arguments on the fact that the decoupled subsidies, of which the BPRs (basic payment rights of the Basic Payment Scheme (BPS), which has succeeded to the SPS, Single Payment Scheme since 2015) to Spanish raw table olives are specific: if these arguments could be discussed or accepted economically, they would not be legally admissible. More specifically, JCD raises four objections:
- Decoupled subsidies are not export subsidies
- BPRs are an income support, not a price support
- Feed is not an input and therefore not in the amber box of subsidies subject to reduction under Article 6.2 of the Agreement on Agriculture (AoA)
- EU agricultural subsidies have no dumping impact on developing countries (DCs), particularly those in sub-Saharan Africa (SSA). The real problem is the huge difference in productivity between their agriculture and that of the EU.

<u>1°) Decoupled subsidies are not export subsidies</u>

It is true that the EU and indeed all developed countries, as well as a superficial reading of the AoA, make a radical difference between domestic, coupled or decoupled, subsidies and export subsidies. If, according to Article 1.e of the AoA, "*"export subsidies" refers to subsidies contingent upon export performance, including the export subsidies listed in Article 9 of this Agreement*", Article 10.1 already adds that "*Export subsidies not listed in paragraph 1 of Article 9 shall not be applied in a manner which results in, or which threatens to lead to, circumvention of export subsidy commitments; nor shall non-commercial transactions be used to circumvent such commitments*". And the WTO Ministerial Conferences have repeated since the Hong Kong Ministerial Conference of December 2005 "*We agree 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*"[2], without specifying what was to be understood by "*all forms of export subsidies and... all export measures with equivalent effect*".

It is known that the European Commission (EC) opposes any change in the AoA rules on domestic subsidies, coupled as decoupled, by denying their dumping effect, while, after the WTO Members committed themselves at the Nairobi Ministerial Conference in December 2015

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[1] *Alea iacta es: how Spanish olives will force a radical change of the CAP*, SOL, 7 November 2018: https//bit.ly/2Fy04mM; *The European Commission has crossed the Rubicon on Spanish table olives*, SOL, 19 February 2019: http://www.bitly.fr/a09; French powerpoint of the SFER seminar: http://www.bitly.fr/a0a

[2] https://www.wto.org/english/thewto_e/minist_e/min05_e/final_text_e.htm

to eliminate export subsidies, the discussion on domestic subsidy rules was, and still is, on the WTO Special Agricultural Commission's priority agenda. If the EC were so sure of the strength of its arguments and interpretation of WTO rules, it would have no reason to oppose a thorough debate on this issue, which is essential for developing countries. Thus, in its reform proposals of 18 September 2018 on WTO rules, far from addressing the major issue of agricultural subsidies, the EC limits itself to calling for the removal of industrial subsidies: "*While the provision of industrial subsidies can in certain cases constitute a legitimate policy tool, their use may also carry significant risks for global trade as they can disrupt production processes, affect business performance and skew the competitive field*"[3].

According to Article 6 of the GATT, there is no dumping if a product is exported at its "normal value", i.e. at its domestic price when, according to Article 2 of Regulation (EU) 2016/1036 of the European Parliament and of the Council of 8 June 2016 on protection against dumped imports from countries not members of the European Union, "*decisions of the firm regarding prices, costs and inputs are made in response to market signals reflecting supply and demand, and without significant state interference, and costs of major inputs substantially reflects market values*"[4].

It is clear that agricultural prices in the EU and the United States (EU) are not " *made in response to market signals reflecting supply and demand, and without significant state interference*" since the reforms of the CAP and the Farm Bill of the early 1990s have significantly reduced them by compensating farmers with direct payments, first coupled (including export subsidies), then domestic coupled, and mostly decoupled ones since the CAP reform of September 2013.

Yet the WTO Appellate Body has departed four times from the GATT definition of dumping – for which there is no dumping as long as the products are exported at the domestic agricultural price – claiming that dumping occurs when exports are made at a price below the average total national cost of production without subsidies (Canadian dairy products cases of December 2001[5] and December 2002[6], US cotton of 3 March 2005[7] and EU sugar of 28 April 2005[8]), which must be regarded as their "normal value".

In addition, in the EU Sugar case, the Appellate Body held that WTO-compatible domestic support can benefit exported production: "*279. As the Appellate Body has previously stated, WTO Members are entitled to provide "domestic support" to agricultural producers within the limits of their domestic subsidy commitments.*[9] *We observe, however, that the Appellate Body has also held that economic effects of WTO-consistent domestic support may "spill over" to benefit export production. Such spill-over effects may arise, in particular, in circumstances where agricultural products result from a single line of production that does not distinguish between production destined for the domestic market and production destined for the export market. 280. In this respect, the Appellate Body has cautioned that, "if domestic support could be used, without limit, to provide support for exports, it would undermine the benefits intended to accrue through a WTO Member's export subsidy commitments."*[10] *We believe that these statements are relevant to the present case. In this case, we note that C sugar is produced and*

[3] http://trade.ec.europa.eu/doclib/docs/2018/september/tradoc_157331.pdf
[4] https://contenthub.herbertsmithfreehills.com/sites/contenthub_mothership/files/HSF%20EU%
[5] WT/DS103/AB/RW
[6] WT/DS103/AB/RW2
[7] WT/DS267/AB/R
[8] WT/DS265/AB/R
[9] Appellate Body Report, *Canada – Dairy (Article 21.5 – New Zealand and US)*, para. 88. (original emphasis)
[10] Appellate Body Report, *Canada – Dairy (Article 21.5 – New Zealand and US)*, para. 91.

exported in huge quantities, and that there is a considerable difference between the world market price and the average total cost of production of sugar in the European Communities. As we have noted above, the subsidized production and export of C sugar is not the incidental effect of the domestic support system, but is a direct consequence of the EC sugar regime".

In other words, the Appellate Body concluded that domestic support, including decoupled support (particularly in the cotton case), is an export subsidy for exported products.

<u>2°) The BPRs are a support to agricultural income, not to agricultural prices</u>

This concerns the various conditions of paragraph 6 of Annex 2 of the AoA on "decoupled income support", which have already been shown not to be met and which are not addressed in the present document. Obviously, the fact that agricultural income results from the multiplication of production by price minus intermediate consumptions and the depreciation of investments is not a sufficient legal argument.

However, the implementation of the BPRs and more broadly of all domestic subsidies, including coupled subsidies, are directly linked to prices. Because the most decisive reason for the radical change in the CAP and Farm Bill policies in the early 1990s was the scandalous definition of dumping in the GATT and the AoA. For economists and the man in the street, dumping occurs when exports are sold at a price below the cost of production. But for the GATT and AoA there is no dumping as long as exports are made at the domestic market price, even if it is below the average national total cost of production. This explains why the US and the EU took advantage of this definition to significantly lower their agricultural prices and compensate for this reduction with allegedly non-trade distorting subsidies since they established the AoA rules face-to-face before imposing them on all other WTO Members in April 1994 in Marrakech. Knowing that developing countries do not have the means to significantly subsidize their farmers, especially as they represent a very large percentage of the active population. The EC has promoted the decoupling of direct aids since the 2003 reform – granting them to farmers regardless of what they produce or do not produce – so that their production choices are "market-oriented", implying they production choices depend only on relative market prices. Even though these prices are not market prices given the importance of subsidies, since they would be very different, and in fact much higher, in their absence.

This is in line with Pascal Lamy's speech to the EU Confederation of Food and Drink Industries on 19 June 2003, when he was the EU Trade Commissioner and father of decoupling: "*As far as market access is concerned, as I said, the agri-food sector is one of our export flagships*". After talking about three ways to promote it - lowering EU tariffs on its imports of agricultural raw materials, lowering tariffs in EU export markets, investing abroad - he added: "*But there is of course a fourth way, it is simply to buy on the domestic market at competitive prices. This raises the question of internal prices and the reforms needed to reduce them. We are entering the field of domestic support, which is also being discussed at the WTO. Thanks to successive CAP reforms, domestic prices, particularly for raw materials such as wheat, have become very competitive. The performance of the processing industry demonstrates this. We must continue in this direction. We must also stay the course in transforming our support systems so that they have a minimal impact on trade. This is the meaning of the new CAP reform, and their importance in the WTO negotiations on domestic support*"[11].

[11] *From Doha to Cancun – Challenges and opportunities of the WTO negotiations for the food sector*, General assembly of the Confederation of the EU Food and Drink Industries (CIAA) - Brussels, 19 June 2003, http://trade.ec.europa.eu/doclib/docs/2004/july/tradoc_113875.pdf

A November 2008 World Bank paper by Kim Anderson and Signe Nelgen incorporates decoupled subsidies into their agricultural price distortion indicator – the NRA[nominal rate of assistance] – when they write: "*With this monetary value of decoupled payments, the NRA can be calculated by dividing the result by the value of output at undistorted prices. Since the decoupled share of agricultural support is steadily increasing in high-income countries, it is particularly important to integrate this part of support, even if it distorts the market and resources less than other distortion measures*"[12].

All these facts show that decoupled farm income payments have been a means of replacing, and in fact hiding, agricultural price support.

3°) Feedingstuffs would not be inputs

The US Congress Research Service (CRS) has recognized that "*program commodities such as corn are feed inputs for livestock*"[13].

The fact that the US and EU notify in their Amber Box (AMS, Aggregate Measurement of Support of trade-distorting domestic support) certain secondary feed subsidies clearly shows that they are aware that feed subsidies are input coupled subsidies, but they have refused to notify their huge subsidies to cereals, oilseeds and protein crops (COPs).

Article 6.2 of the AoA provides that "*investment subsidies which are generally available to agriculture in developing country Members and agricultural input subsidies generally available to low-income or resource-poor producers in developing country Members shall be exempt from domestic support reduction commitments that would otherwise be applicable to such measures*", which is commonly referred to as their "development box". Forgetting to deduce from this that, on the other hand, investment and input subsidies in developed countries are to be notified in their AMS, which they do very little or not at all, particularly the most important input subsidies, particularly in the EU: those to feedstuffs or COPs of European origin. Who knows that, on average from 2013-14 to 2017-18, 55.3% of the EU cereal production, or 171.3 million tonnes (Mt) out of a total of 309.7 Mt[14], was used as EU feed with an average subsidy of €60 per tonne, for a total of €10.3 billion (€bn)!

Thus, the US notifies in the AMS subsidies to grazing rights on public land and to several forage insurance programs. The new Dairy Farm Margin Protection Program (DMP), created by the 2014 Farm Bill for a five-year period, provides dairy producers with significant trade-distorting subsidies that are protected against significant declines in milk prices, higher feed prices or a combination of both[15]. The programme supports producer margins, not milk prices, if the margin falls below the insured level. The margin is the gap between the national all-milk price

[12] Kim Anderson and Signe Nelgen, "*Estimates of Distortions to Agricultural Incentives, 1955-2011*", updated in June 2013, http://siteresources.worldbank.org/INTRES/Resources/469232-1107449512766/Note_summarizing_core_updated_database_0613.pdf; *Distortions to agricultural incentives in Asia*, http://econ.worldbank.org/WBSITE/EXTERNAL/EXTDEC/EXTRESEARCH/0,,contentMDK:21960058~pagePK:64214825~piPK:64214943~theSitePK:469382,00.html

[13] http://wikileaks.org/wiki/CRS:_Potential_Challenges_to_U.S._Farm_Subsidies_in_the_WTO:_A_Brief_Overview,_June_1,_2007

[14] https://ec.europa.eu/agriculture/market-observatory/crops/cereals/balance-sheets_en

[15] http://www.agriview.com/news/dairy/how-does-the-margin-protection-program-impact-dairy-producers/article_f57408ae-5f8e-5820-9895-0defc34f2eae.html

minus the national average feed cost, made of the costs of corn, soybean meal and hay. The MPP-Dairy feed ration consists of 1.0728 bushel of corn, 0.00735 tonnes of soybean meal, and 0.0137 tonnes of alfalfa hay per 100 pounds of milk produced[16]. Clearly the distribution of the margin between lower milk prices and higher feed costs varies with market conditions. According to a simulation of the University of Wisconsin, "*There also appears to be a high probability that the MPP will increase government expenditures compared to current programs… The average increase for N=200 simulations was $2.8 billion, based on a bimodal distribution with more than half of the simulations in the range of $4 billion to $7 billion*"[17].
The EU has notified in the AMS subsidies to dried fodder and skimmed-milk fed to calves in the EU (even inside the farm which produces the milk and the calves), and several programmes on the restauration of pastures and management of grassland in the rural development pillar (green box).

For OECD also, "*Input subsidies are typically explicit or implicit payments reducing the price paid by farmers for variable inputs (for example… feed)… Input subsidies are generally explicit or implicit payments that reduce the price paid by farmers for variable inputs (fertilizers, feed, seeds, energy, water, transport, insurance, etc.).... with a view to lowering the prices of inputs paid by farmers*"[18].

And, in its manual on national accounts for agriculture, the OECD specifies as part of intermediate consumption of agricultural origin "*Seeds and seedlings*" and "*Animal feed products... supplied by other agricultural holdings*" or "*purchased outside the agricultural sector*" or "*produced and consumed by the same holding*"[19].

The OECD acknowledges that "*in the case of cereals used for pig feed: the various reforms that have lowered the price of these cereals, particularly in the European Union and North America, also reduce the cost of inputs into the pig sector... The 1992 CAP reform in the European Union illustrates the complexity of the relationships involved. By reducing the price of feed grains produced in the EU, this reform has led to an increase in the support granted to pigmeat producers*"[20].

Indeed, the CAP has always linked the CMOs (common market organisations) for poultry and pork to the CMO for cereals. Before the May 1992 reform, for the CMOs for poultry and pigmeat "*the legislation currently governing them - Council Regulation 2759/75 on pigmeat, 2771/75 on eggs, and 2777/75 on pigmeat - was always enacted in parallel with the legislation governing the common organisation of the market in cereals*"[21], being considered as processed cereals, which implied that the variable levies on imports and export refunds on poultry and pigmeat and eggs were calculated on the basis of their theoretical cereal content. This close connection was also used to calculate "*monetary compensatory payments on pork, poultry and eggs... from the compensatory amounts on the appropriate amount of feed grain*".

This close connection between the CMOs for cereals and poultry and pigmeat is clear evidence that the reduction in cereal prices, offset by direct aids to the COPs, was mainly designed to

[16] http://ageconsearch.umn.edu/bitstream/204274/2/fdd150415.pdf
[17] http://dairymarkets.org/PubPod/Pubs/WP14-03.pdf
[18] http://www.oecd.org/agriculture/agricultural-policies/1937457.pdf
[19] https://www.oecd-ilibrary.org/fr/agriculture-and-food/economic-accounts-for-agriculture_9789264074262-en-fr, 2005
[20] OECD, *Agriculture and the environment: Better policies to improve the environmental performance of the agriculture sector*, http://www.oecd.org/dataoecd/26/32/19484445.pdf
[21] John A. Usher, *Legal aspects of agriculture in the European Community*, Clarendon Press, 1988.

make it a direct substitute for customs duties and export refunds on poultry and pigmeat. As a result, direct aid to COPs, decoupled in the EU since 2010, is as much a coupled subsidy as the customs duties and export refunds it has replaced. It goes without saying that livestock feed subsidies are also inputs subsidies to be notified in the AMS for other animals: beef and veal, dairy cows, sheep, goats, rabbits.

The huge US and EU cheating in that area has been largely promoted by the OECD tortuous concept of "excess feed cost" (EFC) used to assess its other ambiguous concept of PSE (producer's support estimate). OECD considers that the livestock producers are penalized as they have to pay their feedstuffs at the domestic prices, higher than the world prices, received by the growers of COPs: "*The EFC adjustment reduces the value of MPS* [Market Price Support] *for livestock commodities. Indeed this occurs because livestock producers pay higher prices for feed crops as a result of price support for these commodities*". Let us underline in passing that about half of the cereals used in the EU feedstuffs are self produced and consumed on the farms of the livestock producers so that, according to OECD, they are the same farmers who, as cereals growers, are exploiting themselves as livestock producers.

In an e-mail of 2004 Catherine Moreddu of OECD replied to me: "*The excess feed cost due to the price support of cereals is deducted from the price support of animal products. Therefore it is not possible to take it into account a second time in input subsidies*". This statement is already absurd for the US since US cereal prices (except rice) have been considered as the "world reference prices", so that their EFC has been zero since 1996 and only $294.5 million (M$) on average from 1986 (beginning of OECD calculations) to 1994 and $24.9 M in 1995 (Table 1).

For the EU this statement could have been at best debated when the world prices of COPs were low so that this alleged "excess feed cost" – represented by the gap between domestic prices and world prices – was large, for an average of €2.854 bn in the EU from 1986 to 2007, but after that the world prices of cereals have skyrocketed from 2008 to 2012 so that the "excess feed cost" has totally disappeared in the EU PSE before reappearing in 2013 and 2014 (€198 million on average), disappearing in 2015, and rising to €763 million in 2016 (table 5). Yet the feed subsidies are still there – hidden for the EU in its alleged fully decoupled SPS (single payment scheme) and SAPS (single area payment scheme), and since 2015 in the BPS (base payment scheme) –, which is the best refutation of this mystifying OECD concept of "excess feed cost".

Tableau 1 – The EU and US average Excess Feed Cost from 1986 to 2017, in $M and €M

	1986-94	1995	1996-2007	2008-12	2013-14	2015	2016-17
US: M$	294,5	24,9	0	0	0	0	0
EU: M€	5344,6	2741,9	994,8	0	228,7	0	548,3

http://www.oecd.org/agriculture/topics/agricultural-policy-monitoring-and-evaluation/

There remains the more difficult question of how to allocate these subsidies to animal feed. If direct payments to COPs are received in full by COP producers, animal producers receive implicit but real subsidies corresponding to the lower prices they pay for COPs of EU or US origin, which would be much higher in the absence of subsidies granted to COP producers in return for the reduction in the administered prices of COPs since the CAP and Farm Bill reforms in the early 1990s. The concept of "cross-subsidization" can be invoked here, which was central to the decisions of the WTO Panels and Appellate Body in the Canadian dairy cases in December 2001 and December 2002 and in the EU sugar case in April 2005. In this case, "cross-subsidization... financed by government action" can be invoked since US and EU livestock producers have purchased their feed at a price below their average total national cost of production in the absence of subsidies received by COPs producers. The OECD Manual points out that "*implicit support to agricultural producers can also be provided through concessions on taxes, interest rates or input prices. Such support generally does not involve flows from public funds, but nevertheless represents actual transfers*".

A very interesting article by Carlos Galperin and Ivana Doporto Miguez highlights the cumulative effect of coupled and decoupled subsidies, including those to livestock feed: "*The farmer may receive payments for the livestock – the direct subsidy – and buy feed from the producers, who have been the beneficiaries of subsidies for its production (therefore the price of the feed may be lower than in a situation without this support) – the indirect subsidy. An example of the third type also may be the case of livestock and feed, but from the feed's producer perspective: the feed producer benefits from the support to the feed production – the direct subsidy – and also from increased demand for the producer's product due to the subsidies given to users of this commodity as feed – the indirect subsidies*"[22]. And they go on: "*This analysis may grow in complexity if a farmer produces different goods, where the type of subsidy for each product may differ in the category of box and the degree of the distorting effect. Here, the transference of subsidies is among products of the same farm; that is, part of payments for a product may be transferred for covering costs of another product. Another possible situation of transference is the case of the producer of two commodities – one with subsidies and another without – that shares some inputs, such as land and machinery: payments for the first commodity can be used for paying the cost of the joint inputs, thus reducing production costs of the commodity without subsidies*".

But the subsidies to the livestock feed part of the COPs have conferred product-specific AMSs to animal products that have consumed these subsidized feedstuffs, so that the value of production of products with AMSs has increased, reducing the value of production of products without AMSs and completely changing the AMS notifications that the US and the EU should have made to the WTO. In order not to overburden this demonstration with detailed figures on a complex subject, it is referred to Annex 1.

Let us add that we must not forget other input subsidies than those to feedstuffs, in particular those to agrofuels, ethanol and biodiesel, which also include subsidies to COPs and sugar beet. Even if biodiesel is not an agricultural product within the meaning of the AoA, unlike bioethanol, Annex IV paragraph 4 on the calculation of the AMS states that "*Measures directed at agricultural processors shall be included to the extent that such measures benefit the producers of the basic agricultural products*"[23]. This is all the more justified as the agrofuel boom significantly increased oil and cereal prices from 2007 to 2014.

In addition, many raw agricultural products are inputs for processed agricultural products and the European Commission has taken them into account in the calculation of export subsidies notified to the WTO before gradually reducing them from 2000 and abolishing them since the decoupling of subsidies: these "refunds to Annex 1 products" concerned: preparations for infant food, chocolate, confectionery, bread, pastry, cakes, biscuits, dairy preparations, food industry mixes, starch products, beer and spirits.

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[22] Carlos Gasperin and Ivana Doporto Miguez, *Green box subsidies and trade-distorting support: is there a cumulative impact?* In Ricardo Melendez Ortiz, Christophe Bellmann and Jonathan Hepburn, Agricultural subsidies in the WTO green box, Cambridge University Press, 2009, pp.239-57.

[23] Toni Harmer, *Biofuels subsidies and the law of the WTO*, ICTSD, June 2009, http://ictsd.net/i/publications/50724/.

All these arguments irrefutably show that feed subsidies, coupled or decoupled, are input subsidies to be reported in the AMS of developed countries.

<u>4°) The EU's agricultural subsidies to its exports in WA do not lead to dumping. The problem is the huge difference in agricultural productivity between the EU and WA</u>

It is clear that the productivity gap between EU and WA agriculture is huge and growing, whether measured per ha, AWU or total factor productivity. Thus, according to FAOSTAT, the yield per hectare of basic cereals was on average 8.4 times higher for wheat in the EU28 from 2016 to 2017 (5,559 kg) than for millet in WA (664 kg). In addition, millet yields fell by 7.3% between 1996 to 1997 and 2016 to 2017 (from 715 kg to 664 kg) in WA when wheat yields in the EU28 increased by 15.8% (from 4,800 kg to 5,559 kg)! The gap in yields per AWU is even greater since it has certainly decreased in WA given the high population growth rate (2.75% from 2000 to 2015), even if that of the agricultural population has been lower but positive[24], while the number of AWUs in the EU28 has decreased by 39% from 2000 (15.131 M) to 2018 (9.250 M). And since investment in agricultural production in WA has been almost nil or even negative, taking into account the decline in fallow periods, unlike in the EU28, the gap in total factor productivity has also widened.

Nevertheless, the agricultural and food deficits of WA vis-à-vis the EU28 have continued to increase from 2000 to 2018 if trade in coffee, cocoa, tea and spices (CCTS), which are not basic food products, is excluded (Table 2).

Tableau 2 – Agricultural and food trade between the EU and WA from 2000 to 2018

€ million	2000	2005	2010	2011	2012	2013	2014	2015	2016	2017	2018	2018/2000
Total agricultural trade												
Imports	2267	2696	4348	4925	4218	4024	4687	5746	6468	5864	5776	255%
Exports	1694	1831	2881	3228	3504	3906	3949	3947	3560	4091	3918	231%
Balance	-573	-865	-1467	-1697	-714	-118	-739	-1799	-2908	-1773	-1858	324%
Trade in coffee-cocoa-tea-spices (CCTS)												
Imports	1491	2107	3714	4237	3560	3243	3790	4828	5448	4918	4774	320%
Exports	15	15	26	28	29	33	36	37	30	36	40	259%
Balance	-1475	-2092	-3688	-4209	-3531	-3209	-3754	-4791	-5418	-4882	-4734	321%
Agricultural trade without coffee-cocoa-tea-spices (CCTS)												
Imports	776	589	634	687	657	781	897	918	1020	946	1001	129%
Exports	1679	1816	2854	3200	3474	3873	3913	3910	3530	4055	3878	231%
Balance	903	1227	2220	2512	2817	3092	3015	2993	2510	3109	2877	319%
Food trade, with fish and preparations and without non-food products and CCTS (SITC nomenclature)												
Imports	1162	1020	1067	1166	1213	1281	1454	1578	1706	1811	1949	168%
Exports	1605	1794	2785	3122	3579	3797	3891	3914	3474	3991	3798	237%
Balance	443	774	1718	1957	2365	2516	2437	2335	1767	2180	1849	417%
Share of WA food trade (less CCTS) with the EU28 in relation to its world food trade (UNCTAD)												
Imports	44,2%	33,2%	25,3%	18,6%	22,9%	25%	26%	24,8%	25,2%	25,5%		57,8%
Exports	58,7%	43,2%	25,6%	23,5%	23,8%	21,4%	21,5%	19%	19,1%	23,1%		39,3%
Balance	34,6%	32%	26,1%	18,3%	23,1%	27,9%	29,1%	30,8%	33%	29,1%		83,9%

Excluding the CCTS, the agricultural deficit of WA vis-à-vis the EU28 has been multiplied by 3.2 and the food deficit by 4.2.

If we consider the evolution of the total food deficit, excluding CCTS, of WA with the whole world, according to UNCTAD, it increased from $1.700 billion in 2000 to $8.745 billion in 2017, being multiplied by 5.1 and the EU28 share in this deficit was 29% in 2017, against 34.6% in 2000.

[24] Jean-Christophe Debar, *Au fait, combien y-a-t-il d'agriculteurs en Afrique ?*, FARM, 2 avril 2019, http://www.fondation-farm.org/zoe.php?s=blogfarm&w=wt&idt=3727

While it is difficult to prove and quantify the relationship between the decline in agricultural productivity in WA and the sharp increase in its agricultural and food deficits vis-à-vis the EU28 and the whole world, two phenomena have played an undeniable role: the low import protection of WA while its imports have been heavily subsidized by exporters, led by the EU.

Let us add that the low level of import protection was strongly influenced by pressures from France when the WAEMU Common External Tariff (CET) was being drawn up, as I witnessed. While I was teaching at CIRES (Centre ivoirien de recherches économiques et sociales of Abidjan) in the late 1990s, I went to meet the French economic adviser to the Minister of Agriculture of Côte d'Ivoire who was responsible, among other things, for preparing the WAEMU CET and I tried, in vain, to convince him of the need to increase customs duties on basic food products. Then allow me to quote an extract from my book "L'agriculture, talon d'Achille de la mondialisation" (L'Harmattan, 2001): "*Having personally met with the WAEMU Commissioner for External Trade Relations in Ouagadougou on 18 April 2000, he deplored the absence of a common agricultural policy in WAEMU and admitted that it was dangerous not to have provided specific protection for agricultural and food products. He also acknowledged that the prospects for a regional EPA between the EU and WAEMU were indeed risky. He did not deny that this lack of specific agricultural protection is largely due to the undemocratic nature of the Member States' political systems, and in particular to the absence of agricultural unions capable of ensuring that peasant interests are taken into account. And that because it is in the short-term interest of governments to feed the population at the lowest prices, which are generally those of imported products*".

As for the EU's domestic agricultural subsidies to its exports, they are far from negligible, particularly in WA. In 2018, they amounted to €127.8 M for cereals and preparations, at an average dumping rate (ratio of subsidies to the FOB value of exports) of 31.6%. It should be noted that this is a sharp decline since extra-EU28 exports of raw cereals fell by 39.1% in volume from 2015 to 2018 and those to WA by 47.3%. Indeed EU28 subsidies to exports of cereal products to WA fell from €227.5 M in 2015 to €214.6 M in 2016[25], €200.2 M in 2017 before €127.8 M in 2018. To the contrary EU28 exports of dairy products to WA rose to €197.8 M in 2018 (after €192.5 M in 2017 and €168.6 M in 2016), with a dumping rate of 21.10%. Meat export subsidies amounted to €173 M in 2016, of which €81.8 M for beef, €75.5 M for poultry and eggs and €15.2 M for pigmeat. Sugar export subsidies amounted to €16 M in 2017. In other words, in 2016, subsidies to these four basic food products alone amounted to €572 M, representing 44% of the €1.3 bn in annual subsidies that the EU boasts of granting to WA. As these €572 M also represented 30% of food imports from the EU28 in 2016, it is sure that, if they had been given to WA farmers while protecting them from the EU dumping, their agricultural productivity would surely have increased significantly.

To conclude, Jean-Christophe Debar will have to provide more convincing arguments to demonstrate that EU agricultural subsidies, particularly the decoupled ones, do not have a negative impact on WAfrican farmers. Once again I thank him for agreeing to play the ungrateful role of discussant in which I had the beautiful role. The debate remains open to all.

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[25] *The subsidies to the EU exports of cereal products to Africa in 2016*, SOL 17 March 2017: https://www.sol-asso.fr/wp-content/uploads/2017/01/The-subsidies-to-the-EU-exports-of-cereal-products-to-West-Africa-in-2015-and-2016-February-172017.pdf

Appendix 1 – Effects of feed subsidies on the inability of the EU and US to comply with the agricultural modalities of the Doha Round of December 2008

The US average feed subsidies of $4.442 bn during the 1995-2000 base period[26] – the Uruguay Round implementation period which is also the base period for the Doha Round reduction commitments – have conferred product-specific (PS) AMSs to all meats which had a production value of $57.055 bn so that the production value of products with PS AMSs rises from $49.734 bn to $106.789 bn and, given an average agricultural production value (VAP) of $194.139 bn, the production value of products without PS AMSs falls to $87.350 bn and the allowed PS de minimis (PSdm), being 5% of that value, falls to $4.368 bn instead of $9.707 bn for the non-product-specific de minimis (NPSdm).

Therefore the US allowed OTDS – Overall Trade-Distorting Domestic Support, a new concept of domestic agricultural support created by the WTO General Council Framework Agreement of 31 July 2004 – in the base period falls from $48.224 bn in Canada's simulations [19.103 (FBTA, Final Bound total AMS on 31 December 2000) + 9.707 (PSdm) + 9.707 (NPSdm) + 9.707 (BB, blue Box)] to $42.885 bn: 19.103 (FBTA) + 4.368 (PSdm) + 9.707 (NPSdm) + 9.707 (BB). And the US allowed OTDS at the end of the Doha Round implementation period, once cut by the 70% proposed for the US by the Agricultural Modalities of 6 December 2008 (called REV4), will fall to $12.866 bn[27], instead of the $14.467 bn in Canada's simulations. And the allowed PSdm should be halved on the first day of the implementation period to $2.184 bn for the PSdm and to $4.854 bn for the NPSdm.
It is clear that the US will never be able to honour these prospects for reducing its 2008 domestic support, which explains why it wants to bury the Doha Round.

We have shown that on average, from 1995 to 2014, US feed subsidies reached $5.313 bn, which were finally incorporated into dairy products ($587 M), beef ($1.479 bn), pork ($1.242 bn), poultry and eggs ($1.957 bn) [28]. These feed subsidies accounted on average for 14.4% of feed costs.

But the EU subsidies to animal feed, mainly hidden in the SPS-BPS and SAPS (for the majority of EU13 Member States of Eastern Europe) are much higher than in the US, at €14.740 bn in 2012, of which €3.260 bn for beef, €5.360 bn for pigmeat, €3.680 bn for poultry and eggs and €2.441 bn for cow's milk. Indeed, the direct payment to cereals alone is around €60 per tonne.

On 8 February 2017 the EU notified to the WTO its domestic agricultural support for the 2013-14 marketing year, showing an applied AMS of €5.972 bn against an allowed AMS of €72.378 bn at the end of the Uruguay Round implementation period (July 1995-June 2001) which is also the base period for the Doha Round reduction commitments if it is finalized. These notifications are far from the truth, while the EU claims to comply with the AoA rules.

Indeed, the SPS and SAPS are coupled subsidies (for the reasons explained in "*The European Commission has crossed the Rubicon...*") which should have been notified in the AMS for an amount of €39.267 bn in 2013-14, raising its total product-specific AMS to €45.239 bn instead

[26] *Comments to David Orden, David Blandford and Tim Josling, WTO disciplines on agricultural support*, Solidarité, September 15, 2011, https://www.sol-asso.fr/articles-de-2011/

[27] Jacques Berthelot, *The US cannot reduce its agricultural supports in the Doha Round*, Solidarité, 1st August 2009, https://www.sol-asso.fr/articles-de-2009/

[28] *Time is up for Developing countries to sue the US agricultural domestic subsidies*, SOL, 14 January 2016, https://www.sol-asso.fr/wp-content/uploads/2016/06/Time-is-up-for-Developing-countries-to-sue-the-US-domestic-subsidies-Solidarit%C3%A9-January-14-2016.pdf

of the notified €5.972 bn. This amount includes feed subsidies of €14.740 bn, an estimate for 2012 that has not changed significantly, as these are decoupled, especially as they have increased in the EU13 of the new Member States. These input subsidies to feed for the production of meat, eggs and dairy products with a production value of €141.400 bn in 2013-14, have increased the production value of all products with product-specific (PS) AMSs). This has an impact on the amount of the allowed product-specific de minimis (PSdm) defined in the base period (July 1995-June 2001), which is 5% of the production value of all agricultural products without PS AMSs and not 5% of the value of total agricultural production contrary to the Canada's false simulations. As this value was of €344.702 bn in 2013-14, the value of products without PS AMSs was of €197.330 bn and the allowed PSdm subsidies of €9.867 bn, instead of the notified applied PSdm of €1.055 bn.

In this base period the average production value of EU15 agricultural products with PS AMSs was not of €122.922 bn, as estimated in the 2006 Canadian simulations, but of €201.323 bn (after taking into account the production value of animal products), so that, taking into account the €222.577 bn value of total agricultural production (VAP), the value of products without PS AMSs collapsed to €21.253 bn and the allowed PSdm, which is 5% of this value, fell to €1.063 bn. The Blue Box (BB) has been reduced to €11.145 bn instead of €20.888 bn because €9.743 bn of direct payments to COPs for animal feed has been transferred to the PS AMSs of animal products that have consumed these feeds. However, after taking into account retroactively for the base period of the EU15 enlargement to the EU27 (before the arrival of Croatia in 2015) and the €271.947 bn of the EU27 VAP, the value of PS AMSs fell to €54.616 bn and the allowed PSdm, at 5% of this value, fell to €2.731 bn. As the EU had implicitly accepted the WTO Agricultural Modalities of 6 December 2008 (REV4) reducing by 70% the allowed total AMS at the end of the Doha Round implementation period – if the Doha Round is finalized – this would reduce it from €72.378 bn to €21.713 bn, so that the actual EU27 PS AMS of €45.239 bn in 2013-14 was 2.1 times higher.

While the EU notified non-product-specific (NPS) AMS subsidies amounted to €959 M in 2013-14, the actual NPS AMS was of €11.863 bn, of which €10.863 bn according to the OECD database – €1.1 bn for agricultural insurance, €3.134 bn for agricultural fuels, €4.402 bn for agricultural investments, 1.932 bn for marketing and promotion and €295 M for agricultural loans – plus a conservative estimate of €1 bn for irrigation as Spanish subsidies already exceed this amount[29] and large irrigation subsidies are also available in Italy, France, Greece and Portugal. However, this NPS AMS remains below the de minimis support of 5% of the total value of agricultural production (VAP) of €344.702 bn (half of the sum for 2013 and 2014), or €17.235 bn, so that the NPSdm is not added to the PS AMS which remains equal to the total PS AMS.

The allowed OTDS (Overall Trade-Distorting Domestic Support) for the 1995-2000 reference period was €90.496 bn – €67.159 (FBTA, Final Bound Total AMS on 30 June 2001, updated at €72.378 bn for the EU28) + 1.063 (PSdm) + 11.129 (NPSdm) + 11.145 (BB) – instead of €110.305 bn according to Canada's simulations, which made a mistake by saying that PSdm was 5% of the total value of agricultural production (VAP), in contradiction with Article 6.5 of the AoA. And as the EU has committed in REV4 to reduce by 80% its allowed OTDS at the end of the Doha Round implementation period, this would give an allowed OTDS of €19.143 bn (taking €72.378 bn instead of €67.159 billion for the MTCF).

[29] "*Subsidies to irrigated agriculture may be between €906 million per year and €1.120 million per year*": http://www.iisd.org/gsi/sites/default/files/irrig_Spain.pdf

As the EU notified Blue Box subsidies of €2.664 bn in 2013-14, the current OTDS was of €60.821 bn – €45.239 bn (PS AMS) + €1.055 bn (PSdm) + €11.863 bn (NPSdm) + €2.664 bn (Blue Box) – 3.2 times more than the allowed OTDS at the end of the Doha Round implementation period.

As for the US, we understand these two powerful WTO Members refuse to finalize the Doha Round on the basis of the Agricultural Modalities of 6 December 2008.