

International negotiations and debates: helping or hindering biodiversity integration in the CAP?

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With the Common Agricultural Policy (CAP) undergoing an important reform process comes the question of the legitimization of this much-criticized policy. As recent Eurobarometer polls highlight, agriculture provision of public goods is an important legitimisation strategy for the CAP, and biodiversity is a key component of these public goods.

The importance of the CAP—both in budgetary terms at European level and through its impacts on international trade in agricultural products—means that debates on the future of this policy go beyond Europe, and integrate pressures, and arguments, from a growing number of international arenas, on issues of trade, food security and the environment. Biodiversity integration within the CAP has to be understood, not in a vacuum, but in how it is connected—helped or hindered—by these various international debates, and their translation into specific narratives within a European debate on the future of the CAP. Hence, the international dimension of the CAP reform process remains important although it is not (and for the first time) specifically linked to any WTO negotiation round. The question arises whether those international forces push towards a better biodiversity integration (through decoupling and a new agenda for 2020 borne by the biodiversity convention) or, on the contrary, whether they hinder it (through opened markets and blanket payments).

In order to assess the effect of policy changes linked to international debates, one has to consider that compared to other environmental issues, biodiversity requires a targeted policy approach. Agriculture in Europe has co-developed with specific types of habitats, involving semi-natural vegetation (SNV). These habitats are the backbone of European biodiversity depending on agriculture (Poux, 2012). Therefore, a policy integrating biodiversity concerns needs not only to avoid environmental harm to SNV—a goal which cannot be attained only with the development of efficient farming (the current translation of a “do no harm” policy)—but also to support the specific farming systems necessary to maintain them (a “do good” policy).

This policy brief highlights the findings of a larger study,¹ showcasing the different linkages, over the different CAP reforms since 1992, of biodiversity and international arguments; and reflecting on

1. S. Lumbroso, V. Gravey (2013), “International negotiations and debates: to what extent do they hinder or foster biodiversity integration into the CAP?”, IDDRI, *Studies* n°02/13.

the various strategies used by actors and their respective outcomes. Two main findings stand out: (1) the radical change in context after the price-hikes of 2008, seriously hindering further biodiversity integration, and (2) how international arguments are internalized, and mobilized by European actors to promote their own views on the future of the CAP.

A SHORT HISTORY OF BIODIVERSITY INTEGRATION IN THE CAP

1992-2007: a “green-liberal” pact on multifunctionality

The 1992 Mac Sharry reform rationale was to limit overproduction, to contain budgetary increase. Decrease of price support and decoupling were anticipated to accompany desintensification on the one hand and the internal competitiveness of EU cereals on the other hand.

This reform also marked the entry of environmental issues into the CAP, in an international context pushing for the integration of environment into policies, as illustrated by the 1992 Rio World Summit. At the European level, this led to greater environmental provisions in the Maastricht Treaty and to a new strategy of “environmental policy integration” (EPI) within the EU 5th Environmental Action Programme (1992-2000). Within the CAP, Agri-environmental measures (AEM) were put forward as efficient tools for the integration of environment, while being compatible with WTO requirements. This marked the first linkage between EPI and liberalisation, where environmental objectives would be pursued as long as they did not conflict with the overarching liberalisation agenda.

The 1992, 1999 and 2003 reforms offered opportunities for a compromise between an EU citizen demand for more environment (notably on nature conservation and water pollution), WTO international requirements and internal budgetary pressures pushing for a reduction of surpluses. This compromise centred on (1) a shift to direct payment and their decoupling —a “do no harm” policy; (2) and the development of “do good” instruments (AEM) within the co-funded 2nd pillar. As there were no obvious contradictions between liberalisation (i.e. decoupling) and the environment, multifunctionality heralded a win-win approach. But actual changes in the CAP were always limited by the will to avoid budgetary shifts between Member States and categories of farmers. This meant that the “do good” aspect of the policy remained marginal, as the 2nd pillar received limited funding.

After 2008: the return of the production mantra

The 2008 “Health-Check” CAP reform heralded a new era, in which the environment, and in particular biodiversity, was once again considered a second-order priority, while production increase was soon claimed to be a primary objective by many actors. This period was marked by three key trends, still on-going. First, we are seeing a return of the “feeding the world” narrative, in a rapidly changing international context, with price hikes and volatility, hunger riots and food security concerns. If competitiveness holds fast and is still put forward as a major objective for European agriculture, the “quality” it emphasises is not anymore opposed to the “quantity” arguments of productivists, and yields are often used as a proxy for competitiveness. The option to contain production in order to lower pressure on natural resources and on the EU budget—at the heart of the green-liberal pact—was from then on being questioned.

Second, the growing importance of environmental issues means that non-environmental actors increasingly seize these issues, differentiating between different environmental issues. This participates into a grading of different environmental concerns, with climate change and bioenergy high on the agenda, and biodiversity at the bottom when it comes to payments and accompanying policies. It has allowed biofuels subsidies, at least for a period of some years, to be justified on “environmental grounds” (climate change mitigation) despite their negative impact on biodiversity. The Health Check negotiations illustrate this hierarchy, with early versions of its “new environmental challenges” tellingly omitting biodiversity, and instead focusing on “climate change, bioenergy and water management”.

Third, the earlier disconnection between green discourses and CAP realities (exemplified by the lack of funding of the 2nd pillar) was reinforced in the Health Check reform: the results for environment integration in the CAP were disappointing, especially from a biodiversity perspective (particularly because of biofuels incentives, the suppression of set-aside and the lack of targeted payments for a “do good” farming), so much so that two years later the European Environment Agency would stress that “increasing attention to environmental issues within the framework of the CAP during the last 50 years has not yet delivered clear benefits for biodiversity.”²

2. <http://www.eea.europa.eu/publications/10-messages-for-2010-agricultural-ecosystems> p.3.

THE CAP AS AN INTERNATIONAL POLICY

Growing external pressures on the CAP

This unsatisfactory evolution of biodiversity integration within the CAP happened at a time where the policy is under growing international scrutiny. Three distinct, loosely connected, international discussions had been bearing on CAP reforms since 1992:

- liberalisation of agricultural trade pushed for by WTO negotiations;
- challenges to farming practices by UN environmental conventions (UNFCCC and CBD);
- international food security discussions.

Amongst these different pressures, the WTO is conventionally presented as being the main constraint within which CAP reforms are organised (e.g. the shift toward decoupled payments, the end of sugar quotas...). Beyond the institutional differences between the different organisations pushing for greater attention to trade, environmental and food security impacts, a key difference lies in the credibility of an argument, and of its proponents.

Thus, while WTO arguments are above reproach in Brussels, similarly strong, or stronger arguments, on food security or the environment, have to continuously prove themselves—and are often not received. Therefore the resurgence of the “feeding the world” narrative inside CAP debates is particularly disheartening as issues stressed by NGOs and academics on policy coherence for development are seemingly forgotten, while environmental objectives are continuously side-lined, and the application of environmental conventions ignored. Hence, the 2010 Nagoya COP of the CBD called for pro-biodiversity incentives as well as—and this is new—the withdrawal of biodiversity harmful subsidies, yet this has had no bearing on CAP 2013 debates.

The study argues that differences of impacts within these various international discussions are not due to the relative strength of their institutions, nor of their arguments. It is mostly down to how they are internalised inside European debates, and by whom.

How the Commission internalizes WTO rules

A key example of this internalisation is how the Commission embraced the WTO objective of liberalisation to serve its own institutional strategy and use it as a strong lever for change in the

CAP policy debate. Since the Uruguay Round of trade negotiations started in 1986, there has been a continuous pressure from the GATT and WTO negotiations to liberalise agricultural markets and policies. This led, combined with internal budgetary pressures, to a decisive change in the CAP design with the 1992 reform, which introduced a decrease of price support and started the process of decoupling agricultural subsidies from production, which was achieved in 2003 (except for some products). As far as domestic support is concerned, the interpretation of liberalisation by the European Commission (EC) and DG Agriculture since 1992 has been further decoupling, in order to fit CAP instruments in the WTO green box.³ From the EC perspective, the key aspect of decoupling has been to legitimise the policy internationally (and therefore the budget of the CAP) in order to stop attacks by trading partners, and to keep the expenses under control (as it is technically and politically easier to allocate fixed budgets rather than counter cyclical payments for instance). Yet, while the important level of decoupling already achieved has reduced international pressures on the CAP, it is only part of the story. Indeed, it would be wrong to portray the EC as merely obeying formidable external pressures. The EC has also used WTO pressures, interpreted and framed in a certain way, to obtain from conservative Member States a CAP reform it deemed necessary for competitiveness or other purposes, among which the environment. Furthermore, it retains important margins of manoeuvre, as it is the EC itself that reports in which “box” its CAP instruments fit. The fact that WTO negotiations are stalling since 2005 reinforces the perception that, to a large extent, the WTO’s “external” pressure is in fact a pressure internalised, and organised by the EC itself, which makes it both less obligatory and gives also a margin of interpretation of the way the EC could use this pressure in further reforms.

No similar internalisation of food security or environmental issues has happened within DG Agriculture, *de facto* allocating them an optional capacity, the Commission (DG Environment excepted) standing for them as long as it suits its other key objectives. Regarding biodiversity integration, this priority given to WTO rules has contradictory impacts. On the one hand, decoupled payments could be preferable to coupled payments, for what concerns impacts on biodiversity, as they do not encourage intensification anymore (the “do no

³ The WTO green box corresponds to agricultural subsidies which do not distort trade, or at most cause minimal distortion, and are not subject to reduction commitments (www.wto.org/english/tratop_e/agric_e/agboxes_e.htm).

harm” perspective). On the other hand, some experts point out that decoupling does not allow to link payments with any production patterns, even those extensive ones that are necessary for biodiversity conservation (the “do good” perspective), and even that decoupling could also lead to land abandonment from these extensive systems (and afforestation), or intensification, both having a negative impact on biodiversity.

Conflicting uses of food security and environmental arguments

While environmental and development NGOs have used international food security and environmental debates to attack the present CAP and call for extensive reform, conservative actors—COPA-COGECA, France, Italy etc.—have used these same global issues to justify the existing policy and its conservation. Hence, a coalition of interests is gaining importance drawing on bio-energy for climate and food security argumentation, in order to justify increased production as the only option in the international context. The arguments of this coalition rely on a win-win approach of “sustainable intensification” where production would increase, but not environmental impacts (generally illustrated by GHG emissions). There is no room in this narrative for biodiversity integration and preservation of farming systems maintaining SNV.

Although both conservative and pro-reform actors use international arguments, the former appear to be more successful at it. This does not actually lie in a poorer or better use of international arguments by environmental actors, but in the overall balance of power unfavourable to them. Whatever the force of their arguments, defenders of the agricultural sector or of the budget allocated to it remain dominant and environmental actors secondary. The burden of proof clearly lays on the shoulder of environmentalists and development NGOs: farmers organisation hardly need to demonstrate the validity of their claims. For instance the necessity to feed the world, or at least the countries that are structural importers of food, still appears as a valid argument for an increase in European production although it is known that it might have not only positive but also negative impacts on food security in least developed countries. But when environmental actors manage to develop this credibility, they can, sometimes, actually win, as shown by changes in biofuel subsidies.

WHAT ABOUT THE CURRENT REFORM?

These key trends—internalisation of WTO constraints, use of environmental and food security arguments by all sides to comfort their positions—were clearly at play in the current reform. Similarly, the gap between greening of CAP discourses and actual greening of the policy itself keeps on widening.

Indeed, while the environment—under the guise of public goods—was at first in 2010 presented as a major driver for the 2013 reform, it has been reformulated as a justification for the *status quo* by conservative actors. The Commission’s legislative proposals in 2011 marked a clear reduction in ambition from its first communication and the public debate it drew from. The environmental actors whose strategy for the CAP2020 reform was aimed at getting a bigger shift towards a “useful” policy (in terms of its environmental performance), by an emphasis on its “do good” side, actually only managed to inspire the principle of a “do no harm” policy with the introduction of a greening component in the 1st pillar direct payments, but failed in re-shaping the policy. These unsatisfactory proposals have since then been watered down in negotiation where environmental requirements are considered as constraints on production increase and should therefore be minimised (leading to lighter greening requirement, and a growing number of farmers considered “green by definition” and hereby exempted from the new rules).

The sorry state of the CAP debate should not be excused by international constraints. It is perfectly possible to pursue ambitious objectives for biodiversity conservation while complying with WTO agreements and other international global public goods conventions (climate and biodiversity), without eluding the issue of global food security. External pressures do not make biodiversity integration in the CAP impossible. What makes it difficult is the way key EU actors set priorities between different objectives, favoring *statu quo* in support of existing production systems and their short-term interests, rather than long-term biodiversity conservation needs necessitating, like other sustainable development issues, changes in the trends of development of agricultural systems. ■

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