

After the recent food and financial crises, and amidst the climate debate, the CAP surely needs an open discussion about its future. The usual backroom deals will not do this time. For several decades the CAP was a jewel of the European Community's crown, as it offered a reliable vehicle to sustain rural incomes at a time that international terms of trade for agriculture were declining fast. Until the present day, the CAP has remained one of the EU's main attractions for new member states, through its capacity to provide, also in backward areas, immediate support to farmers as well as guidance on food standards. However, it now needs far-reaching reform, not so much to modify its basic objective of keeping the European countryside in good shape, as to adapt to present needs the policy instruments it relied on so far.

Broadly, these instruments currently fall in two categories: one consists of trade measures, such as tariffs and restrictive product standards that seek to keep imports out, except from very poor developing countries with low export volumes. In the past, subsidies on exports were important also but after the Uruguay Round of WTO these were reduced in favor of direct payments, the other category of policy instruments: flat area premiums for major crops, and regional development subsidies.

In fact, most CAP reform proposals circulated so far evolve around extension of flat area premiums to more crops, combined with "greening" of agriculture via reduced emissions, better animal welfare etc. This greening is inevitable since the flat area premium was originally granted to farmers as temporary income compensation only. In fact, farmers in new member states currently receive compensation for losses they never incurred. To survive and be justifiable, the premium, therefore, has to transform into a clearly traceable reward for services, preserving landscapes and cultural heritage, contributing to CO<sub>2</sub>-sequestration but also keeping village shops and other amenities in operation, all tasks that suggest shifting a significant part of the flat premium budget to more targeted purposes.

A reform would also have to rethink who should pay for all this, and who should oversee implementation. There would be little justification to grant Brussels much authority about say, the height and length of hedges in the Cotentin. Logically, decentralization is now needed, leaving for Brussels the task to oversee fair competition and to impose minimal standards, while encouraging member states to keep higher ones, being "plus royaliste que le roi". Partial renationalization of the CAP budget will also be a consequence, enabling some member states to tap new sources of funding, such as tourism and real estate development, which will be particularly welcome as mounting public debt has made it more difficult for the CAP to preserve its community funding in the present struggle for EU budget.

Regarding this issue of funding, it would seem that the EU has made its move already in 2007, when it introduced a powerful new mechanism. Its name is biofuel. Through mandatory blending and subsidy arrangements adopted by most OECD countries, food now serves as fuel in cars, at rising intensity until 2018, even though this hardly contributes to reduction of greenhouse gas emissions and to import dependence on fossil fuels. The trick is, however, that this compulsory demand makes it possible to achieve virtually any price level on international markets, without any need for funds.

This lifting of world prices also creates room for the EU to reduce its trade protection, helping it to shake off the longstanding blame, also expressed during the Doha Round, of being a major cause for persistence of poverty and hunger in the world. While such an accusation is grossly exaggerated, as elimination of these curses primarily depends on the commitment of poor

countries themselves, improved access for agricultural products (and labor) would definitely help a lot.

However, the world market is more than a vehicle for price manipulation. The price hike of 2008 was very much triggered by sudden expansion of biofuels worldwide, and plunged millions into destitution. Moreover, biofuel mandates go against every principle of free competition the EU has been preaching the developing world about. They are also unnecessary, as the recent crises seem to have marked a lasting transition to a situation of resource scarcity, in which the EU will easily find outlets for its agricultural exports, particularly to Asia, provided it can secure the imports it needs, and is not being hampered by export bans and import subsidies from others. Hence, it is now in the EU's best interest to favor open markets, and to stay clear of shrewd strategizing. In sum, let a reformed CAP assume its commitment to keep the EU countryside lively through internal measures of all sorts but it is not for the poor of this world to foot the bill.