

**THE ITALIAN POSITION
ON AGRICULTURAL POLICY
IN THE CAP REFORM AND THE WTO**

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ACU (Associazione Consumatori e Utenti); AIAB (Associazione Italiana per l’Agricoltura Biologica); ALPA (Associazione Lavoratori e Produttori dell’Agroalimentare); Altroconsumo; CIA (Confederazione Italiana Agricoltori); Coldiretti; Confagricoltura; Federalimentare; ICE (Istituto Commercio con l’Estero); INEA (Istituto Nazionale di Economia Agraria).

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1. INTRODUCTION*

The objective of this brief study is to outline and discuss the Italian position as regards agricultural policy in two forums: the European Commission and the World Trade Organisation. The study tries to identify the main actors who contributed to defining the Italian position in the debate leading to the Mid-Term Review (MTR) of the Common Agricultural Policy (CAP) and the ensuing negotiations on Agriculture at the multilateral level, and the terms in which this debate was carried out (main forums and themes discussed). Finally, the study seeks to evaluate the strengths and weaknesses of the Italian strategy and to contribute to the current debate on the perspectives of the multilateral negotiations on Agriculture, with an eye to the issue of improving food security and safety.

The first phase of the study consisted in gathering official and unofficial documents which allow the reconstruction of the Italian debate on agricultural policy which centred, in the year 2003, on two important events: the CAP Reform, which took place in June, and the Cancún Conference of the WTO, which took place in September. In a second phase, interviews were carried out with representatives from different levels of the Italian government (ministries, regions, parliament, European Parliament), professional and consumer associations, as well as with experts on agricultural policy from different backgrounds (universities, research centres, international organisations and NGOs).

The results are presented in the form of a “map”, which outlines:

- the degree of convergence between the CAP reform and national needs/ objectives (i.e., how “Italian” is the CAP Reform?);
- the Italian position as regards re-launching the Doha Round and, above all, as regards the availability to make concessions to developing countries in the matter of agricultural trade;
- the Italian position as regards the promotion of food security and safety, understood as access to food and as food quality respectively, and therefore involving the Italian position towards Genetically Modified Organisms (GMOs), biodiversity and biosafety.

The three themes covered will be better described in the next section, which presents a brief summary of the documentation gathered in the first phase of the study, covering the period up to the collapse of the Cancún Trade talks. Section 3 presents the results of the interviews, while the final section presents the concluding remarks.

2. BRIEF OUTLINE OF THE THEMES COVERED IN THE STUDY

The documentation gathered in the first phase of the study formed the basis for the choice of interviewees and for the elaboration of the questionnaires used in the second phase. The summaries regarding the three issues covered are presented here below in order to introduce the terms of the debate examined by the study, and to enhance the inputs provided by the interviewees.

* The study was supervised by Marco Zupi.

CAP Reform¹

The reform of the Common Agricultural Policy (Mid-Term Review), approved in June 2003² was the European Commission's response to the upcoming challenges of enlargement and the trade negotiations at Cancún.

The declared objectives of the reform were to continue assisting farmers while making European agriculture more market-oriented and increasing emphasis on food quality and rural development. The concept of "multifunctionality" is, in fact, central to understanding the objectives of the reform, as is the attempt to rebalance funds between the I pillar (direct subsidies to farmers) and the II pillar (support to rural development) of the CAP. Finally, the reform sought to improve the European Union's (EU) position in the Doha Round negotiations by partially dismantling a subsidy system generally considered to create serious distortions to international trade in agricultural goods.

The main elements of the reform are:

- Single payment per farm independently of production levels, with the objective of stabilising farmers' income and allowing them to produce according to market demand. The single payment will take effect from 2005, although member-States may require a longer transition period, delaying adoption until 2007. Each entitlement will be calculated by dividing the reference amount (amount of aid received in the reference period 2000-2002) by the number of hectares that gave rise to this amount.
- Compulsory cross-compliance, i.e., conditioning the single payment to the respect for European standards in the fields of environment, food safety, and animal health and welfare, and to the obligation to maintain all agricultural land in good agricultural and environmental condition, with a view to avoiding land abandonment.
- Modulation, i.e., reduction of direct payments for large farms by 3% in 2005, 4% in 2006 and by 5% per year from 2007 to 2013.
- Strengthening rural development policy, through the increase of endowments aimed at promoting food quality, meeting higher standards, promoting animal welfare, supporting young farmers, supporting the implementation of Natura 2000 and forest measures, and creating farm advisory systems. The measures to strengthen rural development will initially be covered by the resources made available through modulation, but will eventually receive extra funds.
- The possibility of carrying out partial decoupling, where member-States believe the introduction of the single payment scheme may create disturbance to agricultural markets or the abandonment of production. Partial decoupling is subject to ceilings which vary from one sector to another.
- Additional coupled payments may be granted by member-States to support agricultural activities that are important for the protection of the environment or for improving the marketing and quality of agricultural production. Member States can use up to 10% of the funds that are available for a certain sector included in the single payment scheme for additional coupled payments.
- The possibility of creating regional application options for the single payment scheme, through the distribution of national funds to the regions, in order to ease their management.

¹ This section is based on the CAP Reform Summary, Directorate-General for Agriculture of the European Commission, July 2003.

² The European Commission's CAP reform proposal dates from January 23rd, 2003. It was then the object of a series of negotiations before an Agreement was reached by the Council of the Ministers of Agriculture on June 26th, and it was finally adopted by the Council of Ministers on September 29th, 2003.

- The introduction of a financial discipline mechanism in order to keep CAP spending in line with the ceilings laid down for the agricultural budget until 2013.

In September 2003, the Commission made a proposal for the reform of the Common Market Organisation³ (CMO) of olive oil, tobacco, cotton and hop, of which the first two are of great relevance to Italy. This reform is still under negotiation.

WTO Negotiations on Agriculture

In September 2003, the WTO Conference in Cancún foundered due to the difficulty of reaching a consensus on two important issues: the negotiations on Agriculture and the so-called Singapore issues (investment, competition, transparency and trade facilitation measures). The Cancún debacle was not in itself surprising, given the tension surrounding the two themes. The new element that emerged at Cancún was, however, a compact group of developing countries, the G20, who were determined to obtain significant liberalisation of agricultural commerce.

The US-EU agreement which preceded the summit showed the inclination of these two countries to further open their agricultural markets, but the document containing their proposals: a) did not specify the measure or the terms of liberalisation; b) maintained export subsidies for certain 'sensitive' products; c) discriminated against large exporters of agricultural products, through the proposal of differentiated liberalisation.

The formation of the G-20 was a response to the US-EU proposal. The G-20 requested: a) significant market opening towards developing countries; b) the reduction of export subsidies on all products; c) indiscriminate treatment for large exporters; d) further reduction of domestic support on the part of rich countries (which would imply a further reform of the CAP).

The collapse of the negotiations at Cancún led to an intense international debate on ways to re-launch the multilateral trade talks. At the centre of this debate are agricultural trade, the Singapore issues, the relations between the WTO and other multilateral forums, and whether the WTO decision-making process should be reformed.

In September 2003 the Informal Meeting of European Ministries of Agriculture, which took place in Taormina (Sicily), represented the first important occasion to discuss agriculture after Cancún. The final document shows an interest in responding to developing countries' demands. Apart from the necessity and duty of every country to create, maintain and defend its own agriculture and the possibility for the citizens engaged in agriculture to earn a decent livelihood, the final document underlines the need to create new combinations of accompanying policies, both in EU and developing countries, that aim :

- to protect locally based and sustainable agricultural systems that play a crucial role in the maintenance of fragile ecological systems and in the development of rural economies lacking other alternatives;
- to diversify agricultural production preferably towards high quality products that meet societal needs and create simultaneous production of employment and income in the countryside;
- to further develop human capital and institutional structures, especially where these are urgently required to support the previous points;
- to create privileged marketing channels for high quality and regionally specific products from developing countries towards the EU;

³ The Common Market Organisation is the set of rules which regulate the support for each sector.

- to develop an international system of propriety rights that regards genetic resources, the origin of products, the democratic right of national and regional authorities to participate in the management of resources and that excludes prohibitive forms of monopolisation.

Food Security and Safety

Among the different themes which make up Italian agricultural policy, two issues stand out in the recent debate: food security and food safety. The latter concept, in particular, comes up frequently in the Italian debate, because Italian agriculture is geared to the production of high quality and typical products, whereas the former is associated with the impact of agricultural trade on developing countries.

Both issues regard the polarisation of the international debate between attempts to patent agricultural resources, on the one hand, and the defence of genetic heritage and of access to resources⁴.

The issue of biodiversity and biosafety are receiving growing attention in the EU, with a strong affirmation of the precautionary principle. This increasingly anti- GMO stance has guided many acts geared to avoid any possible contact with GMOs⁵, but the lack of certain native seeds (soy at European level, maize in Italy) have left the productive chain vulnerable to contact with GMOS.

However, the EU moratorium on GMOs does not mean that there is a consensus on this matter among European countries. Furthermore, the United States consider the moratorium a non- tariff barrier.

3. RESULTS OF THE INTERVIEWS

The interviewees were divided into three large groups which were loosely classified as institutional positions, interest groups and experts. The institutional positions are those which emerged within the Italian government at four different levels: the ministries, regions, the Parliament, and the European Parliament (Italian MPs)⁶. The institutional position is not uniform, since it includes both the “official” government position and the opinions of members of the opposition on the themes examined. This was considered necessary to reconstructing not only the official position of the Italian government but the debate which led to its definition.

As regards the interest groups, these are divided into two main groups: trade associations and consumer associations. The former covers the main farmers’ associations in the country, as well as the association representing the food industry, whereas among the latter were chosen two important consumers associations specialised in food and agriculture.

⁴ The first approach operates through instruments and organisations such as Trade Related Intellectual Property Rights (TRIPs) and the World Intellectual Property Organisation (WIPO). The instruments used by the second approach are: the Convention on Biosafety (1992); the Cartagena Protocol on Biosafety (2000), with which the Precautionary Approach (PA) became the guiding principle for the importation of living modified organisms (LMOs); and the International Treaty on Genetic Plant Resources for Food and Agriculture (2001), which aims at the conservation and sustainable use of genetic plant resources for food and agriculture and the fair and equitable sharing of the benefits arising from their use. The latter has the objective of creating a multilateral list of agricultural genetic heritage which cannot be patented, setting a limit to the patenting of resources.

⁵ For instance, last year in Piemonte a whole plantation of maize was destroyed after it was appraised that some of the seeds were GMOs.

⁶ Attempts were made to identify the Italian institutional position through interviews with Italian employees at international organisations, such as the Food and Agriculture Organisation, on the issue of food security, and the WTO, on regarding multilateral negotiations. These attempts were unfruitful because the employees contacted said that it was impossible, from their position, to single out the Italian contribution to the organisations’ guidelines. To have an idea of the Italian position as regards these organisations it was necessary to turn directly to the Italian government.

Finally, the group of experts is made up of experts on Italian agriculture, with different backgrounds such as universities, research centres, international organisations and NGOs. The position of the experts is interesting because, on the one hand, they are not interested parties (such as farmers), but on the other they are participants in the debate and therefore in the definition of the official Italian position, both through the institutions in which they are based and, frequently, as individual consultants to the Italian government.

The interviews were carried out *ad persona*, by telephone and e-mail.

The answers were organised by group and sub-group, and within each of the sub-groups, along the three themes discussed: CAP reform, negotiations on agriculture at the WTO and food security and safety⁷, in an attempt to reach a distinct “sub-group position” on each theme. These positions were then regrouped by theme, allowing the final conclusions to be drawn.

3.1 The Institutional Position

Ministries

Interviews were carried out with civil servants from three ministries: the Ministry of Foreign Affairs (Ministero degli Affari Esteri- MAE), the Ministry of Productive Activities (Ministero delle Attività Produttive- MAP) and the Ministry of Agricultural and Forestry Policies (Ministero delle Politiche Agricole e Forestali- MiPAF). The Institute for Foreign Trade (Istituto del Commercio Estero- ICE) was also contacted, but the civil servant who answered said he believed ICE played no part in the definition of the Italian position on agricultural policy.

As regards CAP reform, Italian interest seems to have focused on the support for multifunctionality, quality, rural development and modulation. A central Italian preoccupation, according to the interviewee from MiPAF, is rural depopulation and the support for young farmers.

The flexibility granted national governments by the CAP reform means its implementation will be debated and defined in concert with the social parties involved and the local governments, especially the Regions. Among the issues still to be defined are:

Whether to begin implementation in 2005 (the likelier option) or later;

Whether and how to apply the flexibility granted certain products;

How to use the percentage of national funds earmarked for additional payments; whether and how to ‘regionalise’ these funds;

How to allocate funds destined to structural interventions and the promotion of eco- conditionality.

These aspects of implementation, which are yet to be defined, will play an important role in guiding the reform towards the II pillar.

The interviewee in MiPAF considered one of the positive aspects of the reform to have been the flexibility granted to the implementation of the reform in certain sectors⁸. However, from the point of view of the MiPAF, the reform delivered unsatisfactory results on two important issues:

The Italian government would have preferred a more explicit reference to rural development in the text of the reform, and a more substantial financial commitment of EU funds to support this aspect of the CAP;

⁷ The separation between themes is not always possible in the presentation of the interviews, due to close inter-relation among the issues addressed.

⁸ Italy specifically bargained for flexibility for durum wheat, but will benefit from concessions granted to other products, negotiated by other countries.

Delay in inserting Mediterranean products (olive oil and tobacco) in the reform means that its approval may take place after the enlargement, i.e., will have to be approved by a larger group of countries, many of whom with a continental type of agriculture.

As regards the negotiations on agriculture at the WTO, the MAP civil servant believes that, with the CAP reform, the EU has “done its part” towards liberalisation, so the next move lies with the G20.

The civil servant from MAE, on the other hand, believes developing countries were not fully aware of the implications, and especially of the more innovative aspects, of the CAP reform. He also stressed the importance of the liberalisation of agricultural trade between developing countries, i.e., that the G-20 open themselves to imports from Least Developed Countries. He added that the Italian position at the multilateral level cannot be separated from that of the EU, with the exception of themes such as geographical indications, quality seals and environmental protection, which are particularly dear to the Italian government.

The civil servant from MiPAF gave some insight into the kind of liberalisation in agricultural trade to which Italy would be favourable: a balance between liberalisation and rural development, on the part of both developed and developing countries. Rural development in developing countries would receive the aid of international co-operation and rest upon the protection of local markets and the creation of infrastructure. According to the interviewee, Italy is already strongly committed to this front of action, through the Food and Agriculture Organisation’s programmes against hunger. Another central element of the position of the Italian government on liberalisation, according to MiPAF, is the extension of seals of quality and geographical protection to developing countries.

In all three ministries (MAP, MiPAF and MAE), interviewees mentioned the fact that Italy is favourable, or at least indifferent, to a reduction of export subsidies. The main opposition to these reductions hails from France, Germany and Ireland.

According to the interviewee from MiPAF, the present government has increased funds for research in the recovery and preservation of the genetic heritage of Italian agriculture. There is also commitment to increasing research in the sectors of biotechnology and GMOs. As regards the latter, the position is still defensive: precaution regarding GMOs is founded more on its possible environmental impact than on health concerns, given the characteristics of Italian agriculture, based on typical and high quality products.

Regions

An interview was carried out with a civil servant for Agriculture of the Toscana Region, centred on the regional administrations’ opinion of the CAP reform and on the role being played by the Regions in the implementation process.

The interviewee said the Regions had been vary active in the reform, and that their contact with the government is carried out mainly through two channels: the Comitato Agricoltura (in which the Minister of Agriculture and the Regional Councillors for Agriculture meet), and the Conferenza Stato- Regioni, where the discussion among the Regions takes place.

The Regions are satisfied with the reform as regards the redistribution of funds between the I and II pillars, as well as with the new measures geared to the preservation of the environment, food security and animal welfare. However, the Regions believe that funding for rural development is still inadequate, because modulation, by itself, will only provide a low amount of resources. They believe that the new measures might be present in the new Rural Development Plan from 2007. The Regions consider, however, that the Italian government played a key role in favour of this redistribution of funds, which met with the opposition of many other European governments.

The Regions are in favour of initiating the implementation of the reform as soon as possible, i.e., from January 2005, since this will allow more time to solve the problems which may eventually

emerge. However, this may not be possible because the calculation of the new endowments to be established according to the principles of the reform, to be carried out by AGEA (the National Paying Agency that manages these funds), may not be ready in time.

According to the interviewee, the application of the reform would ideally be regional, which would allow it to respond as closely as possible to the needs of each territory, but this is not possible because there is still too much difference between the Regions, and not all of them would be in favour of this solution. One of the reasons for these differences is that not all Regions are endowed with a regional paying agency which would allow them to independently manage all phases of the implementation. Given the above, the so-called regionalisation of the CAP reform should be understood as the regional division of funds, rather than as the regional implementation of the reform.

Italian Parliament

Interviews were carried out with two opposition parliamentarians, in order to obtain a view different to the official government position and to obtain an evaluation of the government's performance on the different fronts considered. One of the interviewees is a Senator on the Foreign Affairs Commission, the other, a Senator on the Agriculture Commission.

The Senator from the Agriculture Commission said the Italian Parliament had played a small role in the discussion of the CAP reform. The guidelines for reform were drawn by the Government (ministries) and the European Commission, and it is at these levels that lobbies tend to operate. According to the Senator, Italy's difficulty in having its interests recognised at European level depends, fundamentally, on two issues:

lack of cohesion among Mediterranean countries, who consider themselves competitors; and the kind of agricultural production carried out on the territory (type of products and patterns of land cultivation).

The Senator believes that the flexibility allowed for the implementation of the reform may allow it to be brought closer to Italian interests, and underlined the role the Regions will play in the process.

The Senator on the Foreign Affairs Commission said the Italian position could not be isolated from that of the EU at WTO level, except for its commitment to the recognition of geographical indications and seals of quality. The Senator believes that the collapse of negotiations at Cancún could lead to the reduction of the WTO agenda and its distribution among other global forums such as UNCTAD and FAO. A good opportunity for discussing this possibility would be the UNCTAD Conference to be held in Brazil in June 2004. Another possibility to put negotiations back on track would be to establish a continental level of negotiations, which would precede and prepare multilateral negotiations.

According to the Senator on the Agriculture Commission, the Parliament is substantially cohesive on the matter of GMOs, whereas the government is less so (for instance, the Health Minister is favourable, whereas the Minister for Agriculture is against GMOs). The EU should adopt a clear standing on the matter, without leaving member-States the possibility to choose a different position. He also believes State-financed research on this theme should be increased, because privately financed research is more prone to be influenced by those who finance it.

Finally, he believes that Germany and Italy could represent the axis for the creation of a wider European alliance to bring a clear position against GMOs.

European Parliament

Among the Italian representatives at the European Parliament, three clear types of position emerged on the issues examined in this study, which were classified as pro-government, moderate opposition and radical opposition.

The pro-government position is much in agreement with the position of the different ministries, especially the MiPAF. In this view, the CAP reform represents a good compromise between liberalisation and the protection of domestic agriculture. This interviewee had a positive opinion of the government's handling of the issue of the milk quota fines, because of the number of farmers involved. He believes the reform will benefit the food industry and tax payers rather than small farmers.

The "moderate opposition" position is favourable to the balance between liberalisation and protection achieved by the reform, but is critical of the exclusion of goods of great interest to Italy (olive oil and tobacco) from the first round of the reform. This is attributed, in great measure, to the Italian government's handling of the issue of the milk quotas, which weakened its bargaining position. This interviewee pointed out that the treatment given to Mediterranean products by the reform will affect Southern European Countries' (and the EU's) relations with their competitors in the North of Africa. He also stressed the Italian Government's role in transforming the Mid-Term Review into an opportunity for defining the new CAP guidelines, and stressed the role of the Regions in rendering the application coherent with the principles of the reform.

The "radical opposition" parliamentarian believes that the very existence of the CAP is a problem, because its costs are high and it hinders competition. The interviewee also believes that issues such as product quality, environmental protection and sustainability should be decided at national level.

As regards the WTO, the position of the pro-government Parliamentarian also coincides in great measure with that of the ministries. The main difference is that he believes France is the heavy-weight behind the defence of typical products and geographical indications, with Italy following lead.

The radical position is favourable to the elimination of internal support for agricultural products, which might be undertaken unilaterally by the EU, because the EU still finds itself on the defensive at the multilateral level. The interviewee believes that quality products could survive without support, although they must be defended from counterfeiting.

3.2 Interest Groups

As mentioned above, the interest groups were organised into two groups: trade associations from the food and agriculture sector, and consumer associations.

As regards the trade associations, a wide sample of associations was chosen, in order to cover the interests of large and small farmers, the organic farming sector and the food industry. Among the farmers associations, the largest is Coldiretti, followed, as regards the number of associates, by Confederazione Italiana Agricoltori (CIA) and Confagricoltura. The Associazione Lavoratori Produttori dell'Agroalimentare (ALPA) represents small farmers. The Associazione Italiana per Agricoltura Biologica (AIAB) represents organic farmers, and Federalimentare is the association of the firms of the food industrial sector. Unfortunately, no answers were received from the co-operatives contacted in the course of the study.

As for the consumers associations, these were selected for their specialisation in the food and agriculture sector. The two associations which answered the questionnaires were Altroconsumo and Associazione Consumatori e Utenti. The former is also a member BEUC (Bureau European des Unions de Consommateurs).

Trade Associations

The trade associations appear to be the interest groups most closely involved with the issues addressed in the study. Generally speaking, they showed great interest in participating in the interviews and contributed with an important part of the documentation, in many cases prepared by their own research centres.

As regards the overall evaluation of the CAP reform, very different opinions were gathered among the trade associations. However, to some extent, the implementation process may allow this gap of opinions to be bridged.

The CAP reform, in the view of Coldiretti, is a step in the right direction because decoupling will contribute to directing support towards production. Cross-compliance is another important element, because it will allow States to concentrate 10% of the funds it is assigned to food quality and environmental protection. A further positive element regards modulation, because for the first time the concept of economies of scale and of support for small farmers is given due attention within the CAP. Coldiretti agree with the timing of the reform, because it allows the new rules to be defined before enlargement.

CIA also considers the reform, on the whole, to be positive. CIA has, for many years, been contrary to price intervention and favourable to supporting farmers' incomes and promoting quality rather than quantity of production. Decoupling and the reduction of intervention prices are considered to respond to these needs. However, there remains the structural problem of the equilibrium between the two pillars and, as regards the I pillar, the balance between Mediterranean and continental cultures, on one hand, and that between support for large and small farmers on the other. Italy, who has never been one of the main beneficiaries of the CAP, could have sought a more incisive reform as regards the II pillar.

Confagricoltura, on the other hand, has a negative opinion of the reform, and believes it wasn't necessary. In their opinion, the EU still needs instruments through which to regulate markets, and decoupling leaves no space for intervention to balance supply and demand. Furthermore, the single payments will be hard to manage and will probably create bureaucratic problems. Finally, modulation will subtract funds from the farmers who are most exposed to the international market. Confagricoltura believes the present reform is a step in the direction of the eventual dismantling of the CAP and the progressive disengagement of the EU from agriculture.

The Association of Organic Farmers, AIAB, also has a negative opinion of the reform, albeit for different reasons. The Association considers that rural development is only a slogan for the EU's international façade, while on the domestic front the reform is not incisive and the assignation of funds, insufficient. The only positive element of the reform is the single payment scheme and regionalisation, although a definitive evaluation can only be made after the rules for implementation are defined.

Federalimentare is in favour of the decoupling process, and believes the funds for rural development will be augmented. The Italian industrial sector, which consumes 70% of national agricultural products, is interested in safeguarding agricultural production in terms both of quality and quantity and in the maintenance of an organic and balanced productive chain. Federalimentare agrees with CIA that there is a structural imbalance of the CAP in favour of continental (as opposed to Mediterranean) products, and which leaves Italy in the position of "net exporter" of CAP funds.

As mentioned above, the positions of the different associations tend to converge as regards the implementation of the reform: those with a positive opinion of the principles guiding the reform believe they will translate into positive actions, whereas those with a negative opinion count on implementation as an instrument to bring the reform closer to their view.

Concerning the role of the Italian Government in the reform, most of the associations were critical: Codiretti suggested that the government's role had been basically passive, acting as mediator between the different associations rather than proposing its own model for Italian agriculture.

For Confagricoltura, the government's negotiating tactics were purely defensive and limited to few aspects of the reform, and the concessions obtained for some sectors, such as durum wheat and beef, did not compensate the losses that decoupling would entail to the aforesaid sectors.

AIAB criticised the government for its lack of effort in having organic farming inserted in the CAP. The reform would have been a good occasion to support a sector which is intrinsically multifunctional. The only success of the Italian Government in this aspect was having obtained the Commission's commitment to the presentation of the European Plan for Organic Farming by May 2004.

Coldiretti, AIAB and ALPA criticised the government for the management of the issue of the milk quota fines. ALPA, in particular, believes that the support given to milk producers cost the Italian government loss of bargaining power for supporting Mediterranean products. This episode, in fact, would seem to indicate that the interests of farmers from the North of Italy are better represented in the government than those of the South.

On the other hand, it appears that most of the associations took active part in the debate surrounding the reform, and that their main counterparts were Fischler and the European Commission.

All the associations interviewed were in favour of the multilateral treatment of agricultural trade.

Confagricoltura calls for a re-launching of the multilateral trade round, which should go beyond the discussion of tariffs and export credits and discuss the principles which govern trade. The developing countries should not underestimate the innovations in European agricultural policy, including the CAP reform, and remember that the EU is, among developed countries, the greatest importer of agricultural products from developing countries.

Confagricoltura would have preferred reforming the CAP after the conclusion of the Doha Round, because as things stand European farmers run the risk of having to make further concessions to meet multilateral agreements. Confagricoltura believes, however, that the Italian government played an important role in having the protection of geographical indications adopted by the Commission and in requesting the creation of a multilateral register to facilitate the protection of geographical indications.

The Italian food industry believes the CAP can be rendered compatible with the demands of developing countries. One priority at the multilateral level should be the safeguarding of the quality and typicality of food products from the phenomenon of counterfeiting, which was defined to be "devastating". The issue of "agro-piracy" was also mentioned by ALPA, who criticised the list elaborated by the EU for containing only forty-one regional quality products, leaving out a vast array of typical Italian products.

The CIA mentioned the issue of export credits, saying it would be in favour of their elimination (although at European level it would probably be necessary to adopt a more gradual approach). Federalimentare also seems to support this approach, albeit recognising the difficulties involved. CIA commented on the importance of relations with other Mediterranean countries, which should aim for non- conflicting competition, in view of the creation of the Free Trade Area in 2010.

Federalimentare believes food safety is founded on the traceability of food products, which should be a pre-requisite for the production and trade of food products.

Confagricoltura says the concept of food safety depends on different issues, some of which have received due regulation (such as the Convention on Biodiversity, already ratified) and others awaiting developments at the WTO, such as the multilateral register to protect geographical indications. In all these issues, the EU occupies a forefront position.

CIA says that the Italian choice of linking production to the territory, throughout the productive chain, is the key to the success of Italian agriculture.

For AIAB, the principle Italian problem as regards food safety is that of productive chains and seeds. For some products, such as durum wheat, soy and maize, Italy is faced with the complete lack of seeds produced in loco. This renders Italy vulnerable to contact with non- certified seeds which are

not guaranteed to be GMO-free. The soy problem leads to the issue of animal feeding, because GMOs could enter the food chain through animal fodder. Therefore, the European anti GMO position should be rendered even more strict, because only control of the productive chain starting from the seeds can guarantee GMO-free products.

Consumer's Associations

Both the associations interviewed admitted to a low level of involvement in the debate on CAP reform, both at European and national level. This is attributed to the fact that the role of these institutions is still not recognised as influential by the government, which on the other hand is subject to strong lobbying on the part of trade associations. Associazione Consumatori e Utenti (ACU) would like to see closer co-ordination of the activities of consumer associations, and believes they should not only be consulted but be allowed to participate in the elaboration of regulation.

Both associations have closer contact with the government on the issue of organic farming, regarding which Altroconsumo calls for stricter controls and the implementation of the Plan of Action for Organic Farming.

As regards the domestic impact of the CAP reform, Altroconsumo is extremely critical. The association believes large farmers will stand to benefit from the reform, and that the use of the reference period to guide decoupling means that the present situation will not be significantly altered.

ACU, on the other hand, is more preoccupied with the role of the CAP in the European and world context, particularly as regards:

The enlargement of the EU, which is considered in a positive light, because it implies sharing the food and agriculture market regulations with a greater number of consumers. The challenge will be to involve the new members in the struggle to promote and enhance the demands of citizens-consumers.

The conflicting interests which the CAP reform tried to face, among which stand out the need to regain consumer credibility and the pressures from the world markets and the WTO. These pressures render the EU position somewhat ambivalent. In fact, the EU enunciates principles geared to promote environmental protection, food safety, animal welfare, while on the other it takes decisions which often benefit multinational firms (for instance, the directive on chocolate and the possible lifting of the ban on GMOs).

Another element which is common to the two associations is sensitivity to the demands of the developing countries. They agree with the approach that a balance is necessary between a progressive opening of European markets and the protection of the interests of European farmers and consumers. Both favour greater support to rural development in developing countries, and ACU is also in favour to the internationalisation of geographical indications. Altroconsumo is fiercely critical of all forms of dumping and support to surplus production.

3.3 The Opinions of some Experts on Agriculture

As mentioned above, the experts interviewed in the course of this study belonged to different backgrounds: universities, research centres, international organisations and NGOs.

One of the aspects commented on by the experts regarded whether the CAP reform would meet its declared objectives, i.e., protecting product quality, the environment, consumers and small producers, and promoting rural development.

There was no consensus on the fact that the reform would have a positive impact on product quality. One interviewee believed that the reduction of prices, together with the decrease of subsidies and the greater emphasis on cross-compliance, would harm small farmers and the producers of high

quality products, and therefore have a negative impact on product quality. Others believed, on the contrary, that more market- oriented production and lesser price distortion would have a positive overall effect on product quality, by eliminating low quality products from the market. However, it was suggested that the reform had paid little attention to an important theme: that of productive chains and the traceability of products.

One interviewee stressed that benefits for consumers can only be achieved if the reform is backed by an effective opening of markets, carried out in tune with commercial and competition policies. Furthermore, successful implementation of the reform will depend on the enforcement of clear rules to condition support and strict controls on cross-compliance.

According to one expert, the flexibility allowed member- States as regards the implementation of the reform arises, at least in part, from differing interpretations of the concept of multifunctionality. In his opinion, there is a conservative view of multifunctionality which tends to defend vested interests and therefore agricultural models which generate artificial production in terms of the volume of production and respect for the environment. The other view is closely associated with the concept of sustainability and of the links of production to the territory and the environment. The second view represents the Italian contribution to the debate on multifunctionality. The implementation process will allow the Italian actors involved to bring the reform in line with the Italian interpretation of multifunctionality and rural development.

The Italian position in the debate on CAP reform was born from the mediation between the professional associations, rather than from the different ministries, according to two interviewees. The Italian position which emerged from this debate was then adopted by the MiPAF. Possibly for this reason, Italy's participation in the CAP reform was marked by attempts to obtain advantages for certain products, rather than by a general vision of the needs of the Italian agricultural model.

The timing of the reform was attributed to the desire of the fifteen EU countries to define the rules of the agricultural game before the entry of the new member- States, and to shake off the protectionist label it carries in the WTO. As regards developing countries, the CAP reform is a step in the right direction, but it is not enough. In this sense, distinction must be made among poorer and richer developing countries, whose interests do not always coincide.

As regards the WTO, there seems to be more convergence of opinion, both among the experts and between experts and other groups of interviewees, than on the issue of CAP reform.

Around half the experts interviewed expressed opinions which coincide with that of the MiPAF, in the sense that there must be a balance between liberalisation and protection, and that the liberalisation of the agricultural sector must go beyond the discussion of tariffs and subsidies and fully embrace the concept of multifunctionality and export it to developing countries. In other words, liberalisation should be accompanied by measures to extend quality standards (including geographical indications) to developing countries, and co-operation aiming to promote rural development should render developing countries less dependent on rich countries' markets. In this view, it is nearly impossible to standardise the agricultural sector with general rules, because it cannot be separated from the territory in which it operates.

Only one expert, with an NGO background, agreed with the position that agricultural negotiations should be removed from the WTO.

As regards the impact of the reform on agricultural trade, one interviewee said that the amount of subsidies that will be moved from the blue to the green box will not be clear until the guidelines for application of the reform will be defined.

One expert said that this government has paid unprecedented attention to the demands of developing countries (referring to the Taormina document), but another criticised the same document for being a piece of rhetoric. The MiPAF was criticised for having opposed the Everything

but Arms (EBA) initiative, on the grounds that it would hinder rice producers. One interviewee said he believed pressure for further liberalisation in the agricultural trade might arise from other economic sectors who would stand to benefit from the successful conclusion of the Doha Round.

As regards the food security front, one expert commented on Italy's strong support for the World Food Programme, whereas another criticised the lack of Italian activism in this area. According to the latter, Italian interest resides in food safety rather than in food security. Two experts criticised the Italian government's "obsession" with geographical indications, and said they believed this position was rendering the government increasingly isolated at European level.

4. CONCLUSIONS

The analysis of the interviews provides some answers to the questions set out at the beginning of the study.

a) What is the degree of convergence between the CAP reform and national needs/ objectives (i.e., how "Italian" is the reform)?

Italy is among the countries who wanted to use the MTR as an occasion to readjust CAP guidelines. The different principles linked to multifunctionality and to the rebalancing of funds in favour of multifunctionality represent a good result for the Italian position. However, the elements of flexibility granted to the implementation process may result in different applications of the principles of the reform, leading to two opposite models at European level: one associated with conservation, the other with sustainability. Only after the rules governing implementation have been defined will it be possible to fully evaluate the so-called "Italian position".

Another element which qualifies the results obtained is the small amount of funds made available for rural development, although implementation may, to some degree, allow for an increase in these funds.

Notwithstanding the role the Italian regions will play in defining the rules governing implementation, their involvement in all its phases seems improbable, given their different levels of preparation. Whether or not the funds will be regionalised is still to be determined, but it seems clear that the rules governing their use will be decided at national level.

The CAP reform seems to have been considered a good compromise by many of the actors involved. However, two factors seem to have affected the final results obtained by the Italian government: the incapacity to create a bloc of Mediterranean countries which could have inserted the Mediterranean products in the first round of the reform; and the solution to the issue of the milk quota fines, which seems to have cost the government considerable bargaining power.

In the meanwhile, the reform of the CMO for olive oil, tobacco, cotton and hop is running its course. It is reasonable to believe that, at least as regards tobacco, Italy will seek to build the alliances which were lacking in the previous round, because a strong reduction of support for this sector is presently being contemplated.

b) What is the Italian position as regards re-launching the Doha Round and, particularly, as regards the availability to make concessions to developing countries in the matter of agricultural trade?

In the first place, it is important to remember that the Italian position is contained within the European framework and that, as regards concessions in favour of developing countries, there is as yet no consensus at European level. Given the above, Italy has been tenacious in its pursuit of protection of food and agricultural products from counterfeiting, of the institution of a multilateral register for Geographical Indications, of the extension of the protection granted wines and spirits to

other products, and of measures of environmental protection. The interest in “exporting” a model of rural development and the availability to re-discuss export credits are also issues in which Italy could play a major role.

These positions could represent a foundation for re-launching the negotiations on agriculture. The developing countries’ demands are recognised in the Taormina document, which received relevant inputs from the Italian government.

However, although most of the interviewees showed strong support for the resumption of the negotiations, it is still not clear how much the Italian government’s position can contribute to the re-launching of the Doha Round. The Italian position must be measured against:

The European debate, in which there are diverging opinions as regards issues such as export credits or food counterfeiting. Considering that the European Commission’s document of November 2003 on the re- launching of the negotiations proposes flexibility on the very theme of Geographical Indications and of the multilateral register, it would seem that the EU’s strategy is not in line with the themes most dear to the Italian government;

The EU-US debate, where there are also contrasting positions as regards the multilateral register, with the US opposing the defence of geographical indications with the defence of intellectual property;

Finally, supposing the Italian position were to find wider acceptance at the European level, and considering the CAP reform approved in June, it is not clear that these elements might satisfy the demands of developing countries, and to what degree these demands (such as greater liberalisation and reduction of domestic support) are addressed by the Italian position.

It is important to consider that developing countries are far from homogeneous in their own positions. At least two groups can be clearly discerned. Firstly the poorer developing countries, who might welcome the attention to rural development, environment and typicality, because, being part of preferential systems such as the General System of Preferences and Everything but Arms, they feel less disadvantaged in relation to the CAP and may even consider the recent reform in a positive light.

However, the G-20, made up of a group of richer developing countries who are net exporters in agricultural goods, made it clear at Cancún that they demand a further reduction of domestic support on the part of rich countries, a reduction of export subsidies for all products and indiscriminate treatment for large exporters. These countries have already widely condemned the CAP reform and do not seem interested in anything other than a significant movement towards liberalisation and reduction of domestic support on the part of developed countries.

These countries will probably react negatively to the present EU proposal (which finds support also in Italy) that the large agricultural exporters grant poorer countries preferential treatment. It is hard to see how the stalemate in agriculture may be broken- possibly only pressure on the part of other economic sectors which stand to gain from the conclusion of the Doha round may lead to a softening of the European position on agriculture.

c) What is the Italian position as regards the promotion of food security and safety, understood as access to food and as food quality, and therefore involving the Italian position towards Genetically Modified Organisms, biodiversity and biosafety?

The Italian position regarding the safety issue is clear on the defence of food quality and of the identification of food chains (traceability and labelling). As regards the security issue, it is clear on the defence of biodiversity in general and of national genetic (agricultural) heritage in particular. This position has an evident antagonist: the genetic manipulation of natural resources for food, feed and agriculture, and the patenting of the results of these manipulations.

The challenge to this different model of food and feed is carried out at three levels:

At the multilateral level, above all through the Treaty on Genetic Plant Resources for Food and Agriculture (2001), which deals with biodiversity, and the Cartagena Protocol on Biosafety (2000). Italy has signed both agreements but has so far only ratified the Cartagena Protocol.

At the European level, as from the moratorium decreed in 1999 which forbids the entry of genetically modified food, the debate is centred on the possibility of repealing the moratorium; the possibility of co-existence between genetically modified, conventional and organic cultures; the rules governing the labelling and traceability of GMOs and the (yet to be presented) European Plan for Organic Farming.

At national level, at the end of 2003 a law-decree was presented by the Ministry of Agriculture, forbidding the use of GMOs until their possible effects on surrounding cultures is ascertained.

d) Final remarks

Besides summing up the interviews' contributions to the different issues examined, it might be helpful to make a few general remarks on some "transversal" points of interest which emerged in the course of the study.

Firstly, the compactness of the trade associations in defence of the CAP should be stressed. There seems to be a consensus regarding the need to achieve a balance between the protection and liberalisation of the agricultural sector, but there seems to be no availability to re-discuss CAP principles, either in view of enlargement or of multilateral negotiations. It was also interesting to observe how well prepared the farmers' associations are, not only in terms of compactness and political organisation, but of time and funds dedicated to research and publications.

The consumers associations showed sensibility towards development issues, but seem not yet to have found themselves a clear role in the debate. Considering that consumers' rights are often invoked to defend both the CAP reform and a new round of multilateral liberalisation, all actors, but the government in particular, should try to involve consumers more closely in the debate on agricultural policy.

In this line, there seems to be a "democratic deficit" in the debate on agriculture: the "Italian position" was basically decided by the farmers associations, having as main counterpart the Commission, with the government (Ministry of Forestry and Agriculture) as intermediary. The low profile participation of both consumers' associations and the Italian Parliament in the debate would seem to confirm this. The fragmentation and lack of coordination among the different Ministerial actors about the whole complex issue of agriculture/ rural development and biological diversity in developing common and coordinate positions in the different fora.

Another institution whose profile in the debate seems very low is the Istituto Commercio con l'Estero, which was defined by the civil servant contacted as an executive body with little influence in the decision-making process, at least as regards agricultural goods. Notwithstanding the specificity of the agricultural sector, the "Italian position" would probably stand to gain by greater dialogue and coherence among the different sectors involved in foreign trade. After all, at the multilateral level the negotiations are carried out as a single undertaking, not as sector agreements.

As regards campaigns which could be carried out regarding the issues at hand, some possibilities might be:

- a campaign for the elimination of export subsidies, which seems to meet with some transversal support at national level;
- a campaign against the repeal of the moratorium on GMOs;
- a campaign for the ratification of the Treaty on Genetic Plant Resources for Food and Agriculture.

It would also be interesting to monitor the following events and debates:

- the follow-up of the Taormina document, which was in great measure a “product” of the Italian Presidency;
- The analysis of Italian model for agricultural development, exportable in developing countries.
- An evaluation of Geographical Indications values as effective elements favouring development.
- the definition of the rules governing the implementation of the CAP reform, to be defined by July 31st, 2004;
- the course of the law-decree on GMOs presented by the Ministry of Agriculture at the end of 2003;
- the development of these decisions of the parties to the Cartagena Protocol on Biosafety, to be taken in Kuala Lumpur in February 2004 and the Italian engagement, especially on ABS and international liability regime;
- the IX UNCTAD Conference, to take place in São Paulo in June 2004.

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