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**Reflections on the needs to reform the EU Common Agricultural Policy in the
light of Development Countries Demands toward Agriculture in the WTO
By German Development Organisations**

For a Conversion of the Agricultural Protectionism

Context:

- a.) One of the topics of the current agricultural negotiations of the WTO is a further reduction of subsidies for agrarian exports and other subsidies that distort trade (“first pillar”). Those subsidies sum up to 350 billion US-\$ in OECD countries, measured by the OECD method of “PSE”. If the reduction of these subsidies is of about the same range as the first step towards liberalisation under the Uruguay Round, another cut of 20 to 30 per cent – equalling 50 to 75 billion US-\$ in the OECD-countries – could well be expected. Who will benefit from this huge amount of saved finances? To a degree, the consumers in the OECD countries. Partly also the public budgets. Thirdly, a fair amount of this money will be redeployed in favour of the so-called “Green“ or “Blue Box” measures, which are “uncoupled” subsidies (uncoupled from the market), like direct payments to farmers, or payments for environmental services done by farmers. Since these subsidies are said not to interfere with trade, they have been blessed by the WTO.

- b.) The developing countries are bitterly complaining about the redeployment of agrarian subsidies in the wake of the Uruguay Round (1995 to 2000) by the OECD countries. The European Union provides a good example for this shift: Overall subsidies for agriculture rose from 90 billion ECU in 1995 to 116 billion ECU in 1998. Similar tendencies are noticeable in the American budget, especially under the U.S. farm bill – despite contractual commitments to cut subsidies in the WTO. The farm bill increases American farm subsidies by 80 per cent to a record total of at least US-\$ 180 billion over the next ten years. The expansion of EU support to agriculture was possible because of the redeployment of subsidies from the “amber box measures” (trade distorting subsidies) to the “blue and green box measures” (not trade distorting subsidies): they rocketed from 9 billion ECU (1986-89) to 43.6 billion ECU (1996). This massive shift is being dubbed “implementation in bad faith” by developing countries. According to them, the huge amount of subsidies for “green and blue box measures” is not without effect on international trade and the markets for agricultural commodities. Therefore, this funding is regarded as a hidden export subsidy with protectionist effects, since the products of supported farms are bound to enter the world markets one way or another. The subsequent demand by developing countries is to stop this redeployment of subsidies through new disciplines for the exemptions, like the introduction of a ceiling for the amount spent on industrialised countries’ green and blue boxes.
- c.) Such a ceiling in the European Union would contradict the ongoing efforts for the “change of paradigm” in agricultural policies. One prominent example that would fall victim to such a ceiling is the so-called “Agrarwende”, proclaimed by Renate Künast (German Federal Minister of Consumer Protection, Food and Agriculture). This is an attempt to reverse the bias towards “industrialised agriculture” and to support the ecology, landscape, farmers’ direct marketing and rural development. The idea to stop the redeployment and introduce a ceiling indicates a severe conflict between the objectives of environmental policies and developmental policies in the EU. It would be extremely unpopular and would split development NGOs from progressive farmers’ organisations and from environmental NGOs. A fair solution of this conflict is urgently needed for the global platforms of negotiation and debate, which will take place in the near future.

Demand: A rise of the expenditures above the negotiated ceiling in the Green Box should only be permitted if the same amount of governmental finance for an increase of the “Green Box Measures” is simultaneously granted for a (so-called) “Third Pillar”. This “Third Pillar” or “Global Food Security Pillar” of the EU Common Agriculture Policy does not yet exist. It would consist of financial funds to support “sustainable agriculture and rural development” (SARD) worldwide and of measures to improve global food security.

Explanation:

It is not understandable why there is no “Third Pillar” in national agrarian policies so far, like dedicated funds for global international agricultural policies. Ministers of Agriculture in all OECD countries do have a responsibility for world food matters, global agricultural sustainability, food aid and the FAO. Seen from a pure fiscal point of view, it should be no problem to reallocate national agricultural subsidies in favour of international agricultural and rural policies.

There are some more or less binding commitments resulting from international agreements, declarations and treaties, which established Action Plans, International Funds and Implementation Procedures. They could serve as baseline for potential spending of funds under the “Third Pillar”. They serve either global agricultural sustainability or food security objectives. In addition to bilateral programmes, no fresh money has ever been allocated to these funds so far. Some of these potential funds are:

- The proposed Trust Fund of the FAO dedicated to implement the commitments of the World Food Summit. This fund is supposed to reduce hunger by 50 per cent by 2015.
- The implementation of Agenda 21’s chapter 14 (sustainable agriculture and rural development) has been neglected so far, but is supposed to be put into operation by the World Bank’s Global Environment Facility (GEF).
- The so-called “Marrakesh Declaration for the Assistance to Net Food Importing LDCs” (binding according to international law): According to this declaration, which comes under the WTO, the NFILDCs will get payments to compensate for rising world market prices for food, which will be caused by the global policy reforms. Especially the window “to improve the agricultural productivity and infrastructure” should get support.
- The increase of the commitments for the Food Aid Convention (FAC), which has long been demanded.

- The Trust Fund for the preservation of agricultural bio-diversity (genetic resources of plants and animals), set up within the framework of the FAO's International Undertaking to implement the Leipzig Global Plan of Action.

Besides these, there are other efficient multilateral mechanisms for agricultural and rural development, like IFAD, UNDP, etc. Cooperation with any of these mechanisms should involve Civil Society Organisations, making available their experiences in food security and rural development.

All of these – partly overlapping – measures taken together would result in a solid groundwork for an urgently needed “New World Food Order”. A further liberalisation of agriculture and food trade – although widely propagated – could only be accepted if it is accompanied by the reinforcement of a deliberate policy in favour of the poor and in favour of protection of world agricultural resources. The existing programmes however do not have any teeth, because they lack finances. A link between global responsibility and the reduction of agrarian protectionism in the developed countries needs to be established. The globalisation of agricultural policies by the WTO can only be accepted if it goes along with a new global responsibility for food security and poverty reduction.

The started change of paradigm in German and European agrarian policies needs to be extended to the international arena. We cannot work for an ecological, small scale structured, high-standard food-safe island in Europe, accomplished by high subsidies for our food sector, and limit our commitment to national concerns. Either there will be a worldwide change of paradigm, or there will be none. Otherwise the contradictions with the forces of globalisation will turn the shift in Europe into failure.

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