Trócaire Development Review, Dublin, 2002, pp. 73-86, ISSN 0790-9403

Debate: The Reform of Europe's Agricultural Policy and the Developing World

Integrating the International Development Goals into Europe's Trade Policy and Practice:

The Challenges of CAP Reform

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The strategic use of international trade is an important element in economic development policies. The EU, the world's largest trading bloc, has recognised this since its establishment. This article looks at the importance of agriculture and agricultural trade to the EU and to developing countries. It discusses the current agricultural trade agenda of the World Trade Organisation and examines how efforts to reform the EU's Common Agricultural Policy fit within and influence this framework. It also examines how reforms to the EU's agricultural trade policy can help in achieving the millennium development goals, especially those focused on reducing poverty and hunger, and how these reforms can be undertaken in a way that is sustainable and equitable in terms of their overall impacts on the EU and on developing

countries. The article concludes by discussing some opportunities for the EU in advancing developmental or pro-poor agricultural trade policies.

Setting the Scene

EU leaders hailed the outcome of the fourth World Trade Organisation (WTO) Ministerial conference in November 2001 as setting the agenda for a "Doha Development Round". More than a year later, and in the run up to the fifth WTO Ministerial, concern is growing that resistance within the EU to meaningful reform of its Common Agricultural Policy (CAP) will deepen poverty in developing countries and lead to their further marginalisation in the global economy. World Bank Chief Economist, Nicolas Stern, has emphasised that decisions to delay the reform of the CAP, and in the case of the US[1] to increase agricultural subsidies, are stark examples of how rich countries are opting to underwrite the *status quo* rather than using their wealth to facilitate development and support growth. A recent World Bank study found that the full elimination of agricultural protection and production subsidies in rich countries would increase global trade in agriculture by 17%, with agricultural and food exports from low and middle-income countries rising by 24%. As a result total annual rural income in these countries would rise by $60 billion, a figure in excess of total official aid flows.[2]

At the same time barriers to trade between developing countries, which exceed those between developing and developed economies, distort trade. These are also the subject of much policy debate, as 80% of the growth in demand for agricultural products will be in developing countries. So while significant attention is being focused on the impact of export subsidies and other production supports in developed countries on farmers in developing countries, this in no way minimises the impact and importance of national level policies[3] including appropriate and supportive domestic policy environments, internal redistribution mechanisms, and strategies for investment in infrastructure, skills formation and for ensuring that the poor have access to productive assets such as credit.[4]

The Common Agricultural Policy

The CAP was established in 1962. The Treaty of Rome set out five principles underpinning this policy: to increase productivity, ensure a fair standard of living, stabilise markets, assure availability of supplies and ensure fair prices for consumers.[5] By the 1980s the problem being experienced was the overproduction rather than underproduction of certain goods. Excess supplies were sold on international markets. In 1992 CAP reforms were undertaken which were aimed at pursuing a strategy of agricultural competitiveness in world markets using export subsidies, internal price supports and direct aid for producers. Currently, under the CAP, general commodity-related support under what is known as the First Pillar[6] accounts for about 90% of total expenditure. About 10% of the CAP budget comes under the Second Pillar, which is focused on broader structural, environmental and rural development aspects of agriculture and the countryside. This pillar is part-funded by the EU and part-funded by member states.

In October 2002, at a heads of state summit, EU leaders reluctantly accepted a controversial Franco-German deal on farm spending after 2006. The agreement means that by 2013 the enlarged EU's farm budget will be about €48 billion, excluding rural development spending.[7] The deal has a number of immediate implications. It threatens the viability of WTO trade liberalisation talks, as central to the WTO Doha Ministerial declaration are pledges by rich countries to stop the subsidised dumping of surplus production on world markets and opening up their markets to developing country agricultural exports. In addition it undermines the European Commission's proposals for the mid-term review of the CAP.[8] These proposals centre around breaking the link between farm output and the amount of subsidy received, bringing EU prices into line with world prices and shifting resources towards grants that encourage better environmental stewardship and promote rural development.[9]

By 2002 the cost to the EU of the CAP was €46.5 billion. This amounts to almost half of the total EU budget. Farm subsidies make up 37% of the total value of production. To put this in context: total EU expenditure on agriculture in 1999 was nearly 15 times total government spending on education in the world's 48 poorest countries.[10] Currently, the main gainers from farm supports are the largest farmers and agribusinesses. Fifty per cent of EU support expenditures accrue to just 17% of farmers.

Nearly 40% of farms are small farms yet they receive only 8% of subsidies. This means that for the most part small scale farmers are being discriminated against and their demise hastened. From an international development perspective agricultural support policies, which promote rural development and environmental objectives, are legitimate. EU member states have signed up to various commitments towards achieving sustainable development and agricultural-rural development strategies can contribute certain public goods to society at large,[11] such as a cleaner environment. Oxfam International has stated: "The problem is that the current systems of support in the EU and the US fail to deliver the social and environmental outcomes that they claim to promote, and they have devastating effects on poor farmers in developing countries".[12] Thus instead of encouraging environmentally damaging production methods and income transfers which are regressive, the EU needs to restructure its domestic supports towards less industrialised and less chemical intensive agriculture and into measures aimed at enhancing the welfare of small farmers rather than large scale corporate agriculture.

The developing country context

Seventy five per cent of the 1.2 billion people living below $1 a day reside in rural areas. Ninety-six per cent of the world's farmers live in developing countries where agriculture provides the main source of income for about 2.5 billion people. In some developing countries over 80% of people live off the land while the average figure for the developing world is over 50%. On average agriculture contributes between 30% and 40% of developing countries' national incomes. Hence the overwhelming importance of appropriate agriculture and rural development strategies in tackling global poverty. According to the Food and Agriculture Organisation (FAO), while the demand for food continues to rise in developing countries, 17% of their populations, or 777 million people, remain undernourished. At the same time 24 of the world's least developed countries saw their per capita food production fall during the 1990s. Although the majority of the world's rural poor rely on local markets rather than export markets for their incomes, agriculture as a whole accounts for more than one third

of export earnings in around half of all developing countries. FAO has also estimated the economic benefits of reducing the number of hungry people to be at least $120 billion per year.[13]

The scale of the CAP's impact on developing countries is immense given the EU's central role as both an agricultural exporter and importer. The EU is the single largest exporter of beef and milk and the second largest exporter of cereals. Conversely it is also a key marketplace for imported products such as oilseeds, beef, rice, wine, sugar and tropical goods. The EU's total developing country imports exceed the combined developing country imports of US, Japan, Canada, Australia and New Zealand. Although agriculture only accounts for about 4.5% of employment across the EU, the agricultural sector remains the dominant user of land. More than three-quarters of the territory of the EU is agricultural or wooded land and farming is a significant feature of Europe's rural areas.

The impact of the CAP varies according to whether one looks at its effects on consumers, on different member states, according to farm size or a host of other factors. In terms of its aggregate impact Borrel and Hubbard[14] have estimated that the CAP has major impacts on agriculture and on other industries in the EU and beyond. For example it has led to decreased production levels in other countries. Developing countries (excluding Latin America) have decreased their production of milk products by nearly 50% and have reduced their exports of milk products by over 90%, livestock by nearly 70%, meat by nearly 60% and grains by over 40%. They estimate that the current cost of the CAP to the global economy through resource misallocation and missed trade opportunities is $75 billion per annum, two-thirds of which they estimate is borne by the EU. In the case of sugar, liberalisation of the market would provide the EU with the greatest gains – as much as $2.5 billion.[15]

International trade and agricultural policies, which undermine developing country agriculture and rural development strategies, moreover, will obstruct the achievement of the millennium development goal for poverty reduction to which the EU and the wider international community are committed.[16] Indeed the Secretary General of the United Nations in his report *Roadmap toward the implementation of the UN Millennium Declaration* outlined a strategy for multilateral trade negotiations which included ensuring that developed countries fully comply with commitments made under the Uruguay Round to improve market access for agricultural products from developing countries.[17]

Prospects for CAP reform

In July 2002 the European Commission initiated a Mid-Term Review of the current phase of CAP.[18] Some of the main proposals were:

- A decoupling of subsidies from agricultural production so as to reduce their production and trade distorting effects, and a progressive reduction in current payments by one fifth;
- The requirement for farmers to fulfil strict environmental and quality standards in order to receive CAP benefits;
- The redirection of a share of expenditure from all but the smallest farmers into rural development programmes targeted at the most needy;
- The share of CAP expenditure going towards rural development (the Second Pillar) to rise to 20% within the next seven years;
- Limiting overall subsidy payments to individual farmers to a maximum of €300,000 per year;
- Maintaining the overall annual budget at €40 billion.

The Commission expects that its reform proposals "will improve market opportunities for developing countries", though the international development objectives of poverty reduction and food security to which the EU is committed are not mentioned in the overall objectives set for the reform process. The objectives highlighted are the enhancement of the competitiveness of EU agriculture, the promotion of market-oriented sustainable agriculture and strengthening efforts at rural development. Given such an omission it is not surprising that the document pays inadequate attention to international development goals and issues. To advance such goals the EU could use the mid-term review of the CAP to agree a plan, in advance of the fifth WTO Ministerial, which will stop the dumping of EU agricultural produce on world markets at prices which are less than their cost of production. Currently, the EU accounts for 28% of world dairy exports, 8% (and rising) of wheat trade and 18% of global sugar exports.[19] At the same time its export prices of powdered milk, wheat and sugar are fixed at 50, 34 and 75% of production costs.

In January 2003, a further proposal on CAP reform put forward by Commissioner Franz Fischler met with severe resistance from certain member states. According to the

Commissioner the changes proposed will enable the Union to ensure a transparent and more equitable distribution of income support for farmers, and to better respond to the wants of European consumers and taxpayers. While this new proposal is mostly derived from the July 2002 reform plan it contains several modifications, including less emphasis on rural development within overall CAP expenditure. It also drops the recommendation for a ceiling of €300,000 per farm in annual support, replacing it with a proposal to reduce direct payments ("degression") for bigger farmers from 2007 onwards in order to generate additional funding for rural development and savings to finance further market reforms. Oxfam Great Britain, while noting some positive elements in terms of some redistribution away from the largest farms and in measures to divert resources from production to rural development, points out that "...the EU will continue to direct billions of pounds worth of taxpayers' money towards Europe's largest farms, maintaining the cycle of overproduction and export dumping. Europe will continue to grow far more agricultural produce than it actually needs with the excess being dumped on the world market, damaging the livelihoods of millions for small farmers in developing countries".[20]

Naturally, the overall impact of EU agricultural policy reforms will vary depending on whether the path chosen is complete liberalisation and the removal of all forms of support, which is extremely unlikely in any case or a shift to more direct aid or supports linked to agricultural programmes which contribute to the achievement of rural development and environmental objectives. The political will for reforms, which would help advance the achievement of global poverty reduction targets, remains limited. Moreover, the decision of the European Council in June 2002 to abolish the Development Council, which brought together international development ministers from various member states, means that the only ministerial forum wholly dedicated to development policy issues no longer exists. This decision may weaken the development impetus in the EU, as it seems unlikely that international development issues will be awarded significant space under the agenda of the Union's General Affairs Council. Alongside this, the enlargement of the EU in 2004 will bring in states without a tradition of development co-operation and economies where farming accounts for a greater share of employment than it does among existing members. This, in turn, may further limit the prospects for more radical reforms.

CAP and the WTO agreement on agriculture

CAP reforms, however, cannot be seen in isolation from ongoing multilateral trade negotiations. Proposals for CAP reform are influenced by, and in turn influence, multilateral decision-making on agricultural trade policy under the auspices of the WTO.

The long term objective of the WTO Agreement on Agriculture (AoA) is to establish a fair and market-oriented trading system through a programme of fundamental reform encompassing strengthened rules and specific commitments on support and protection in order to correct and prevent restrictions and distortions in world agricultural markets.[21] The Agreement has three pillars covering market access, domestic support and export subsidies. Aside from these areas, the Agreement also makes reference to non-trade concerns such as food security and the environment. While the Agreement prohibits certain kinds of support or protectionist measures other measures have been legitimised. International NGO networks such as CIDSE and Caritas Internationalis[22] and Oxfam[23] have emphasised that during the Uruguay Round of trade talks preceding the establishment of the WTO, European and US negotiators reduced the agricultural trade liberalisation debate to a game of semantics. Although, these countries agreed, in principle, to a reduction in subsidies they then went on to change the definition of a subsidy. Thus, in reality, these countries could continue with much of their existing trade practices. Meanwhile, those developing countries which have liberalised their agricultural sectors, often as a result of IMF (International Monetary Fund)-World Bank conditionalities under structural adjustment programmes, have gained only limited agricultural market access. Indeed, the World Bank is now advocating that retrospective credit should be given under the auspices of the WTO for such trade liberalisation.

The most flexible part of the AoA is in spending levels, precisely the area where many developing countries have the least room for manoeuvre due to fiscal constraints and external debt burdens. The Blue Box set of measures incorporated into the AoA allows countries unlimited spending for direct payments to farmers, as long as these payments are linked to production-limiting programmes based on fixed areas and yields, or per head of livestock.[24] In fact it legitimises such payments. For example,

under its set aside scheme, the EU provides income support to farmers in return for their removing land from cultivation. It was the inclusion of this Blue Box, which emerged out of an agreement between the US and EU in 1992, that broke the deadlock in the Uruguay Round negotiations.

The EU is increasingly using direct payments. A central element in CAP reform has been a shift from price support to direct income support. In 1999 the latter totalled over €28 billion or 72% of the farm budget. However, these payments are not minimally trade distorting. Wheat production and exports, for example, have grown considerably after the shift from price to income support.[25] Ironically, under the AoA government support to *limit* production is allowable, while many forms of government support to *increase* production are not, even though that is precisely what is needed in tackling food insecurity in many developing countries.

Even before the establishment of the WTO in 1995, during the Uruguay Round of trade negotiations (1986-1994) developed countries promised to reduce export subsidies. However, subsidies increased to record levels as these countries proved adept at including loopholes in trade agreements. At present, domestic support in the EU, Japan and the US averages $20,000 per farmer. By 1999 OECD countries increased their total agricultural subsidies to $361 billion or around seven times official aid flows in the same year. On average EU and Japanese cows receive daily subsidies of $2.50 and $7.50 respectively while 75% of people in Africa live on less than a dollar a day, and in some of the world's poorest countries such as Ethiopia health expenditure per person per year amounts to $4.[26] On top of this the share of global aid going to agriculture and rural development actually declined during the 1990s.

Overall, the AoA has not led to increased world prices for developing country farmers or to declines in US and EU production. Export subsidies have caused continuing overproduction and have reduced world prices, harming domestic producers (though not urban consumers) in developing countries and crowded out developing countries' exports to third countries. Between 1990 and 1999 export subsidies fell from 31% to 14% of CAP expenditure. However, over the same period, CAP spending rose from €24.9 billion to €39.5 billion so the absolute fall in expenditure was considerably less. Despite these reductions the EU still accounts for 90% of all export subsidies.[27]

At the same time high tariffs in rich countries limit market opportunities for developing economies. In 2001 developing

country farmers captured only 35% of world agricultural exports compared to 40% in 1961. Under the AoA non-tariff barriers have been converted to tariffs and tariffs have been cut by 36%. Yet this tariffication process, combined with a careful choice of the base period,[28] allowed many developed countries to bind their tariffs at extremely high levels. Moreover, escalating tariffs for processed agricultural exports have forced countries such as Uganda and Kenya to continue exporting raw rather than processed coffee beans, even though the price of such primary goods is notoriously volatile. Overall the EU places higher tariffs on exports from developing countries compared to developed countries, for instance a tariff of 250% on meat products, and its import barriers against developing countries are on average four times higher than the barriers it places against developed countries.[29]

After a prolonged battle between the EU and the Cairns group of agro-exporters, the final text of the Doha Ministerial Declaration states that "without prejudging the outcome of the negotiations we commit ourselves to comprehensive negotiations aimed at: substantial improvements in market access; reductions of, with a view to phasing out, all forms of export subsidies; and substantial reductions in trade-distorting domestic support" (paragraph 13). While this does not commit the EU to phasing out subsidies altogether, as demanded by many countries, it has increased pressure for their reduction.

Started in 2000 as a separate negotiation under article 20 of the AoA, the agriculture talks are now part of the Doha Development Agenda, with an enhanced mandate and clear guidelines. The work programme agreed at the fourth WTO Ministerial in Doha set out a tight timetable (1 January 2005) for the conclusion of trade negotiations, as a single undertaking, wherein all parts of the overall outcome of negotiations form a single package binding on all WTO members. Linked to this the Doha timetable for agriculture negotiations requires a framework agreement by the end of March 2003 on negotiating modalities or targets, (including numerical targets), for achieving the objectives set out in paragraph 13 of the Doha Declaration.[30]

As part of these preparations, in mid-December 2002, the European Commission put forward a proposal to EU member states on the forthcoming WTO negotiations on agriculture. This proposal calls for improved market access and a reduction of trade distorting support. Central elements in this include cutting import tariffs by 36%, reducing export subsidies by 45% and decreasing trade distorting domestic farm support by 55%. For

this to happen, the Commission has pointed out that there must be fair burden sharing from developed countries in particular. The proposal also includes some specific actions to promote the interests of developing countries such as duty and quota-free access for all farm exports from the world's poorest countries; a significant reduction of tariff escalation on products of particular interest to developing countries; provision by rich countries of duty free access for at least half their imports from developing countries and a "food security box" of measures to facilitate development and preserve key food security crops through a special safeguard. The Commission proposes that developed and developing countries should implement new WTO commitments over periods of 6 and 10 years respectively commencing in 2006.[31]

Towards a developmental and pro-poor trade policy

Agricultural trade reform is a technical subject but in the final instance it is the political rather than the technical feasibility of competing policy options which will determine policy decisions. Given the scale of the CAP budget and the limited reforms being proposed the Union has a long way to travel in ensuring that its agricultural policies do not distort and in some cases destroy fragile agricultural markets in poor countries. The EU's weight in international affairs is based to a large extent on its trade power yet it is also the world's largest aid bloc. These two elements of its external relations policy need to be joined up, a fact highlighted by case studies showing that EU export subsidies are undermining various aid programmes centred on agricultural development, food security and rural development.

The EU was to the fore in efforts to secure agreement on a broad trade round at Doha. Yet there remains a glaring contradiction between its unwillingness to undertake certain CAP reforms and the EU's aspirations for the structural transformation of developing country economies. Trade is a key part of the architecture of the global economy in which all countries have a stake and can provide a significant source of development finance for poor countries. Various CAP reforms are inevitable though their pace and extent may vary. Various civil

society actors in developed and developing countries have argued that at a minimum CAP reform should have as an explicit objective that it works in the interests of poverty reduction and food security in developing countries, and that it should incorporate an assessment of the likely impact of proposed reforms on poverty reduction and food security in developing countries.[32] In the case of the African, Caribbean and Pacific (ACP) countries which enjoy limited preferential access to the EU market, thus benefiting from the high internal prices which the EU has for certain agricultural products, this group receives better prices than they would from the world market. However, the benefits from this arrangement vary and the negative trade displacement impact of such preferences may in some cases exceed the positive gains from preferential access which these countries have been granted. These countries' legitimate concerns and needs must be addressed in relation to CAP reform as the EU has a responsibility to ensure that reform is undertaken in a way that enables these preferential exporters to graduate through the transition by providing compensation packages and technical assistance.

The IMF in its latest *World Economic Outlook*[33] points out "there are substantial gains to be had from industrial country agricultural liberalisation, both for developed and developing countries, as countries reorient their production in a more efficient manner. Eliminatiou of agricultural support will naturally involve some difficult political decisions, and likely some transitional costs to compensate the losers from reform. Given their wealth and the relatively small size of their agricultural sectors, industrial countries are clearly best placed to take the lead in this. Furthermore, a bold initiative by the rich countries would provide significant overall benefits to developing countries, as well as sending a strong signal about the importance and urgency of following suit with their own reforms". If the EU fails to rise to this challenge the prospects of global trade in agriculture contributing to a significant reduction in world poverty remain weak.

Footnotes

1 The US Farm Security and Rural Investment Act 2002 provides for an increase in various agricultural subsidies to a total of $73.5 billion over the next 10 years.

2 Speech by Nicolas Stern at the Centre for Economic Studies, Munich, 19 November 2002: www.worldbank.org

3 "After Neoliberalism What?", paper presented at "The Alternatives to

Neoliberalism Conference", Washington DC, 23-24 May 2002. Rodrik argues the case for returning to a "thin" model of globalisation, with less focus on international disciplines and harmonisation.

4 DFID background briefing, No 13, October 2002, *Trade and Poverty*

5 Australia's trade minister Mark Vaile writing in *Le Monde* (28 November 2002) pointed out that currently the CAP is costing each EU household about €600 per year and that too much attention is still being put into efforts to protect rather than to reform the CAP: www.oneworldnet.org.

6 Sixty-five per cent of support under the First Pillar measures (which are generally commodity related and wholly EU funded) is in the form of direct payments as distinct from market intervention or guaranteed prices. Direct payments are significanr in the beef sector whereas market intervention or guaranteed prices are important in the sugar and dairy sectors. For instance 71% of CAP expenditure on sugar takes the form of export refunds.

7 Britain, Sweden and the Netherlands were to the fore in opposing this deal. France after much pressure agreed that the size of the EU farm budget should rise by only 1% a year after 2006, less than the expected rate of inflation. France tried but failed to remove a communiqué pledge that CAP spending must be compatible with the EU's international obligations under the Doha trade liberalisation round.

8 Communication from the Commission to the Council and the European Parliament – Mid-Term Review of the Common Agricultural Policy, Commission of the European Communities, Brussels, 10 July 2002, COM(2002) 394 Final:
www.europa.eu.int/comm/agriculture/mtr/index_en.htm.

9 BOND, *EU Update*, No. 17, October 2002

10 UNESCO, *World Education Report* 2000

11 Public goods confer certain societal benefits rather than merely providing for private or individual gains. Because of this such goods are financed collectively through levying raxes.

12 *Rigged Rules and Double Standards: Trade, Globalisation and the Fight against Poverty,* Oxfam International, April 2002, Chapter 4, page 112

13 See www.fao.org

14 "Global economic effects of the EU CAP", *Economic Affairs,* Vol. 20, No 2, pp 18-26

15 "Farming without subsidies: The future of world farming - A civil society international development perspective", Maura Leen, Comhlamh Conference, Cork, 26 April 2002

16 The Millennium Development goal on poverty reduction aims to halve the number of people living in extreme poverty by 2015.

17 Document A/56/326, 6 September 2001, p27

18 Communication from the Commission to the Council and the European Parliament – Mid-Term Review of the Common Agricnltural Policy, Commission of the European Communities, Brussels, 10 July 2002

19 European Commission website www.europa.eu.int.

20 A CAP Reform Package is expected to be agreed by mid-2003. For information on the January 2003 proposal see
www.europa.eu.int/comm/agriculture/mtr/memo_en.pdf. For a commenrary see *Bridges Weekly Trade News Digest*, Vol.7, No.3, 29 January 2003, and *Oxfam News*, 22 January 2003: "EU backtracks on agricultural reform", www.oxfam.org.uk/whatnew/press/eubacktrack.htm. In order to change the current course of CAP reform, Oxfam is calling for the EU to agree a plan with a binding timetable, before the Fifth WTO Ministerial, to phase out all agricultural subsidies that facilirate export dumping. Oxfam is

also advocating for reform of the dairy and sugar export sectors (which it notes are not included under current proposals), and for the Union to restructure agricultural subsidies so that small-scale farmers get a significantly bigger and fairer share of funding, payment of which is linked to promoting environmental sustainability and rural development instead of overproduction.

21 "WTO and agriculture: European Commission proposes a more market opening, less trade distorting support and a radically better deal for developing countries", European Commmission, IP/02/1892, Brussels, 16 December 2002: www.europa.eu/int/agriculture.

22 Food Security and the WTO, CIDSE/Caritas Internationalis, September 2001

23 *Rigged Rules and Double Standards*, *op.cit.*, p.112, Oxfam International, April 2002

24 A Green Box is also contained in Annex 2 of the Agreement. This includes payments linked to environmental programmes, pest and disease control, infrastructure development, and domestic food aid (paid for at current market prices). It also includes payments to producers that are not linked to changing levels of production (so called decoupled payments) and government payments to income insurance programmes.

25 "Boxing match in agricultural trade: Will WTO negotiations knock out the world's poorest farmers?", Oxfam Policy Paper No. 32, November 2002

26 *Human Development Report* 2002, UNDP/Oxford University Press, p.169

27 Oxfam Briefing Paper No. 31, "Stop the dumping!: How EU agricultural subsidies are damaging livelihoods in the developing world", Oxfam, 2002 and European Commission website.

28 The base year is the time period or reference period for which tariff and non-tariff barriers were measured. 1986-1988 is the reference period used in the WTO Agreement on Agriculture against which reduction commitments are calculated. See *Rigged Rules and Double Standards: op. cit.*, p.260. In an article in *The Economist* Robert Zoellick, the US Trade Representative wrote: "The last global trade negotiation – the Uruguay Round – accepted high and asymmetrical levels of subsidies and tariffs just to get them under some control." 7 December 2002, page 26

29 This ratio does not take account of the special trade preferences it provides such as those under the EU- ACP (African, Caribbean and Pacific countries) Cotonou Agreement.

30 At the time of writing it is very unlikely that the March 2003 deadline will be achieved.

31 IP/02/1892, European Commission. In a press release accompanying this proposal, Commissioner Franz Fischler commented: "We [the EU] do not say 'no' to further cuts in domestic farm support. We say 'yes' provided we can keep the kinds of aids which enable our agriculture to serve the demands of our society... We do not say 'no' to further reductions in export subisides. We say 'yes' provided that equivalent disciplines are introduced for other export competition tools". Included in the latter are export credits and dumping of food aid. On 27 January 2003 EU members adopted this proposal. See "WTO and agriculture: the EU tackles steps to move the negotiations forward", DN IP/03/126; www.europa.eu.int

32 For example see CAFOD and Action Aid Joint Submission to the DEFRA Consultation on the Mid-Term Review of Agenda and D. Green and M. Griffith, *Dumping on the Poor: The CAP, the WTO and International Development,* CAFOD, 2002

33 "How do industrial country agricultural policies affect developing countries?", *World Economic Outlook,* IMF, Washington, September 2002, Chapter 2