

CAP Reform, Enlargement and WTO

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WTO: Competing Policy Issues and Agendas for Agricultural Trade

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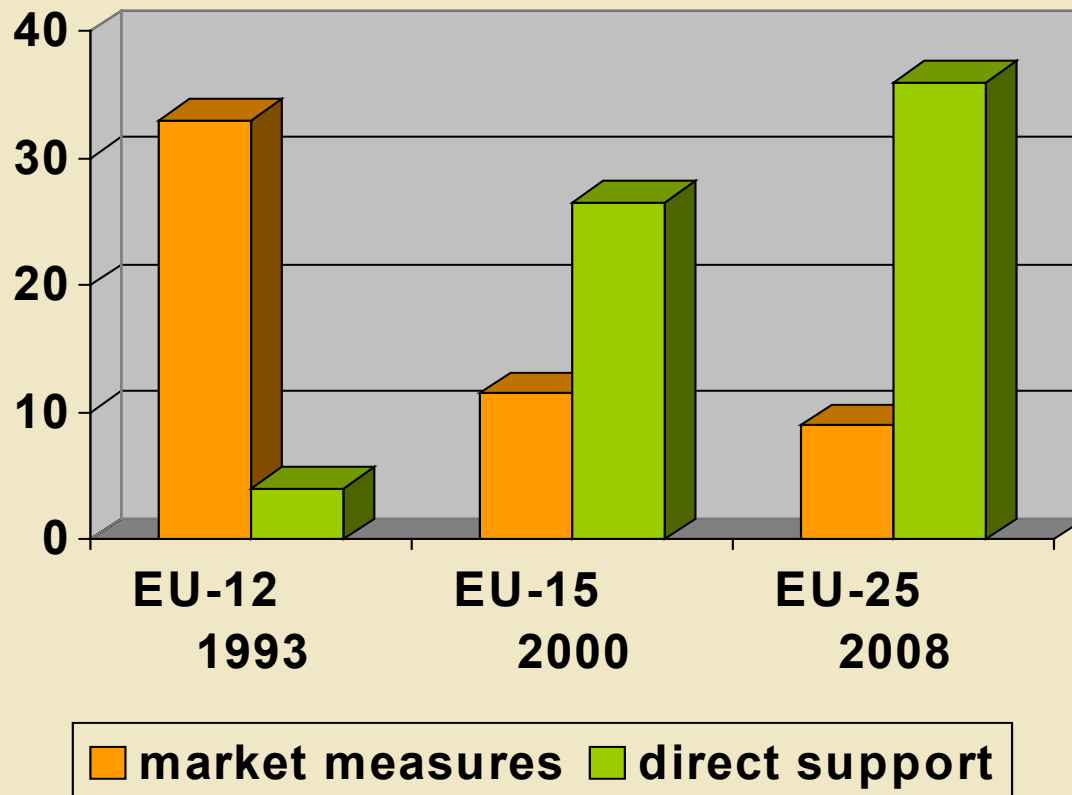


CAP Reform in a nutshell

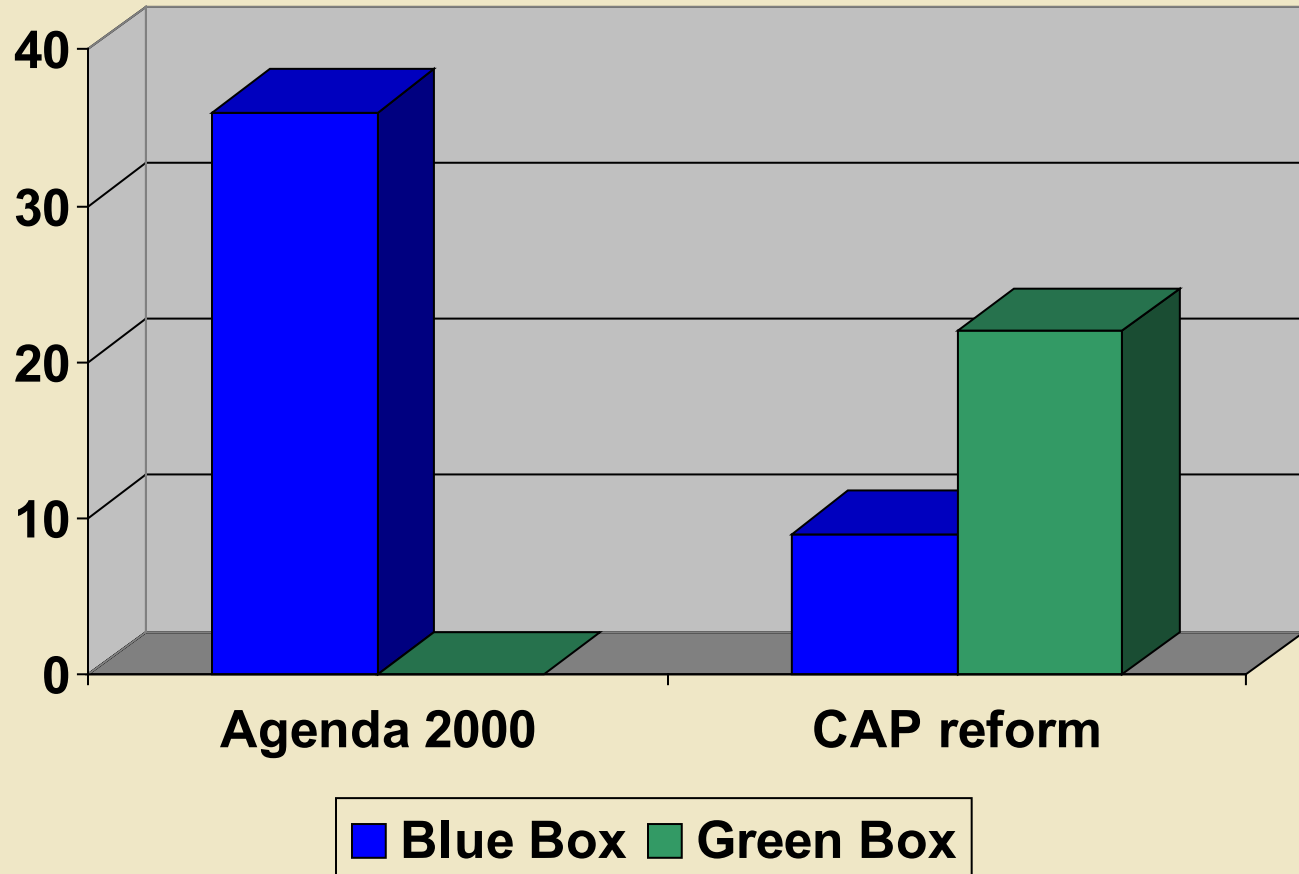
- Decoupling of direct payments
 - Single farm payments
- market reform
 - dairy (substantial reduction of support prices 28% for butter, 15% for SMP, limitation of butter intervention to 30 000 t)
 - cereals (limiting the incentives to intervene by cutting storage payments by 50% and removing rye from intervention)
 - liberalization of rice markets: reduction of intervention prices by 50% to 150 €/t, restriction of intervention.
- strengthening food safety, environment and rural development
 - shift of 5% of direct payments to rural development (modulation)
- strengthening financial discipline
 - reduction of direct payments when danger of overspending



Development of the CAP: Shift from market to direct support in an expanding EU.



CAP Reform: Shift towards less distorting support



Effects of the CAP Reform on support

- Domestic support:
 - reduction of blue box payments by 75%
 - modulation reduces green and blue box payments
 - financial discipline ensures keeping budget spending below the limits agreed at the Brussels Summit.

- Substantial reduction of subsidized exports for
 - cereals
 - dairy products
 - beef

- Increasing market access for
 - rice
 - cereals



Implications of enlargement

The process of accession:

- 10 new Member States on May 1, 2004
- Accession of Bulgaria, Romania in 2007. Negotiations to be concluded by end of 2004
- Croatia: Opinion of the Commission mid 2004?
- Turkey: Candidate Country
- other countries of Western Balkan?



The EU-25 and the CAP

- Limited expansion of production due to low competitiveness particularly in livestock and dairy production
 - restructuring of agriculture
- growing markets in the new Member States
 - countries 2-4 x the GDP growth in the EU-15
- limited expansion of agricultural exports
- relative competitiveness determines trade flows and locations of production within the EU-25



CAP, Enlargement, WTO

- Negotiation of expansion of the customs union in the WTO under Article 24.6
- No major constraints in the area of domestic support and export competition
 - CAP reform reduces amber box and blue box support
 - increased market orientation decreases the need to subsidize exports
- Market access: limited effects for a number of products due to multilateral TRQs



The future CAP: Consistent and continuous reform

- CAP Reform concluded in June 2003
 - main orientation towards decoupling agricultural support and increasing market orientation
- Current reform proposals cover sensitive WTO products:
 - Options of reforms for sugar
 - Cotton
- Since 1992 the reforms have consistently reduced distorting support to agriculture
 - increased market orientation
 - increased competitiveness of European agriculture



Conclusions

- Since a number of years the EU has concluded far reaching and consistent reforms.
- The current series of reforms
 - will support the negotiation position of the EU in the WTO
 - enable to fulfill the commitments taken by the EU in respect to the poorest nations (EBA Agreement).

