CAP Reform, Enlargement and WTO

Wolfgang Münch

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The views expressed in this presentation are those of the author and do not necessarily reflect those of the European Commission.
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).