THE WTO CANCUN MEETING: WHY THE U.S. SHOULD QUESTION EUROPE'S ORWELLIAN FARM REFORMS

BY SARA J. FITZGERALD AND NILE GARDINER, PH.D.

Global agricultural liberalization is at a standstill. The World Trade Organization's (WTO) ministerial meeting in Cancun in September will be a key indicator as to how far the Doha round of trade talks will go towards liberalization, giving more access to the developing world. In order to see progress occur, the United States must continue to stand with the Cairns Group[1] in advocating greater liberalization in the Doha round and pushing the European Union (EU) to make substantial cuts in farm subsidies. Franz Fischler, the EU commissioner responsible for Agriculture, Rural Development and Fisheries, has described the EU's recently proposed reforms as "the beginning of a new era" and has called on the US to end its "highly distorting agricultural policies." The reality unfortunately is very different and in practice the reforms amount to very little. The United States should not be fooled by European masquerades.

Established in 1962, the European Union's Common Agricultural Policy is the world's biggest system of farm subsidies. The CAP accounts for an astonishing 85 percent of the world's agricultural subsidies,[2] and it is estimated that the cost to the world economy is $75 billion per year.[3] The chief beneficiaries in Europe are French farmers, who receive over $10 billion a year, nearly 20 percent of the total CAP budget. Roughly 70 percent of CAP funds go towards just 20 percent of Europe's farms.

EU PROPOSED REFORMS

After decades of half-hearted attempts at reform, the European Commission has been pressured into making changes to the way in which in which the CAP is run. The changes will be introduced in 2005 and phased in over a two-year period.

Under the new proposals farmers will receive a single annual payment in return for meeting environmental, food safety and animal welfare standards. Previously, farmers had received trade-distorting payments directly linked to agricultural production, which had resulted in huge oversupply and subsequent dumping of food in third world markets. The European Commission describes the new proposals as 'decoupling', or the separation of subsidies from production. In theory this will enable the EU to support trade liberalization at the Doha trade round talks.

Not for the first time the EU is guilty of rank hypocrisy masquerading as progress. Once again the French have succeeded in blocking any meaningful reform of the CAP, and as the French farm ministry has boasted, "this reform preserves the essential principles of the Common Agricultural Policy."

The reforms will not result in any reduction in the CAP's budget. The CAP will continue to be a huge welfare system for a relatively small group of large-scale elite European farmers who will continue to prosper. There is also no guarantee under the new system that the EU will stop creating and dumping vast food surpluses on developing countries, putting impoverished third world farmers out of business.

THE U.S. SYSTEM

Since the Great Depression, U.S. farmers have received ever-larger amounts of assistance from the federal government. The recent U.S. farm bill increased the amount of subsidies that American farmers receive by 70 percent. The sum of this legislation is a 10-year program that will cost American taxpayers $180 billion. The majority of the subsidies go to the wealthiest producers. These subsidies benefit the rich while stealing opportunity from developing nations.

U.S. Trade Representative Robert Zoellick has begun to move the U.S. in the right direction. In July 2002, Ambassador Zoellick made an ambitious agricultural proposal to the WTO to radically cut tariffs and subsidies. If implemented, this proposal will reduce the average allowed farm tariffs from 62 to 15 percent. The proposal will also reduce trade-distorting subsidies by over $100 million by establishing a cap of no more than 5 percent of total agricultural production.

RECOMMENDATIONS

Radical change must occur in order to achieve progress. As Mark Vaile, Australian Minister for Trade has stated, "the Doha round offers a historic opportunity to improve the economic prospects of the developing world. This is an opportunity we cannot afford to squander."4 Specifically, the Bush Administration should:

- Continue to push the American agricultural proposal in the WTO. This proposal will reduce trade-distorting subsidies by over $100 billion giving a shot of economic opportunity to the developing world.
- Be prepared to enact its WTO proposal unilaterally. This will prove to the world that America is serious about agricultural liberalization.
- Pressure Europe to move beyond its recent CAP reform proposal and offer something more substantive. Ambassador Zoellick should not accept the EU's excuses for avoiding reform. Brussels should be reminded to put its money where its mouth is by reducing subsidies to keep to the commitments made at the Doha launch in 2001.

Developed countries should travel to Cancun with a strategic plan to lower subsidies and tariffs in order to finish the Doha round on time. Without real change, much of the developing world will continue to be frozen out of the West's markets and be consigned to further decades of poverty.

Endnotes

1. The Cairns Group is a group of 17 agricultural exporting countries chaired by Australia.
2. Margaret Thatcher, *Statecraft*: Strategies for a Changing World (London: HarperCollins, 2002), p.336.
3. Denise H. Froning and Aaron Schavey, "How the United States and the European Union Can Improve Cooperation on Trade," Heritage Foundation Executive Memorandum, March 7, 2001.
4. The Honorable Mark Vaile, "Making Trade Work for Development" Speech to the ACFOA roundtable on trade and development, Canberra, 27 May 2003.

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MANAGER'S NOTE

Management means, in the last analysis, the substitution of thought for brawn and muscle, of knowledge for folkways and superstition, and of cooperation for force. — Peter Drucker

FUNDRAISING TODAY: BACK TO BASICS

BY ANN KLUCSARITS

Several years ago, around the holidays, a woman called our offices and wanted to make a gift of stock valued at $25,000. This woman had made only small donations in the past, so this was an amazing gift. Do you want to know what was even more amazing? We were not her first choice—or even her second—to receive this money. We were her third choice. She had called two other organizations before ours. The first never returned the call. The other had no idea how to accept a gift of stock.

We were lucky that day, not because we had done anything special in soliciting the gift, but because someone answered the phone and that person knew how to accept a stock gift. In short, we had done the basics well.