



28 August 2002

## **European Commission**

### **Information note on Trade-Distorting Agricultural Subsidies**

- International rules on agricultural trade include rules on agricultural subsidies. These are negotiated and enforced in the WTO. Current WTO rules set limits to trade-distorting agricultural subsidies. At Doha an agenda for new negotiations was agreed, which sets a target of substantial reductions in trade distorting subsidies. Negotiations to fulfill this commitment and to establish how big the cuts should be have to be completed in time for new commitments to be tabled before the Fifth WTO Ministerial next September 2003. This is a challenging timetable and it would be in no one's interest to confuse the agreed mandate at this stage.
- The term "trade distorting subsidies" includes mainly measures to try to moderate or control violent price fluctuations, which characterize agricultural markets. Promoting price stability is one of the objectives of the European Union's (EU) Common Agricultural Policy and many agricultural policies in other countries. The EU may have done too much in this respect in the past. The WTO negotiations and EU internal reform process are correcting this. As regards the EU, the direction is clear: there are no U-turns and no sudden surprises.
- Everyone agreed in the run-up to the WSSD agreed that the aim of the Summit was to support but not to renegotiate Doha. Doha is the foundation stone for action on subsidies. To meet the challenging Doha targets, we have to build on that foundation, not dig it up.
- Reforming agricultural policy has to be done progressively, as current WTO rules recognize. Big leaps forward may lead to major reverses. Witness the US, which leapt to change its agriculture policy in 1996 and then reversed it in emergency packages and the new Farm Bill. Contrast the EU that has followed a consistent policy of reforms from the 1992 reform through Agenda 2000 and now the Commission's proposals in the Mid Term Review.
- The OECD's figure of \$310 billion (year 2001) for agricultural subsidies is not a figure for expenditure to farmers. It is an estimate of all kinds of gross economic transfers to the agricultural sector as a whole, including non-budget transfers and non-trade distorting expenditure like research, education and rural infrastructure. So there is no relationship between this OECD figure and the budgetary transfer that developed countries make when they give aid.

- On aid specifically, the EU is already the world's biggest donor (27.5 billion Euros in year 2000, ie 50% of total ODA) and we committed ourselves at the Monterrey Conference to a significant increase. This will translate into an extra 22 billion Euros of ODA between now and 2006.