EU's Agricultural Support Policy and Its Revelation on China's Agricultural Policy

INSTITUTE OF EUROPEAN STUDIES OF MACAU
澳門歐洲研究學會
INSTITUTO DE ESTUDOS EUROPEUS DE MACAU

Wang Yanchao

M-A8-6018-7

Supervisor: Prof. Thomas Meyer

Thesis submitted in partial fulfillment of the requirements for the degree of Master in European Studies at the University of Macau

May 26th, 2011

Contents

Declaration 0

Contents 1

Abstract 5

Acknowledgements 6

List of Figures and Tables 7

List of Abbreviations 10

Chapter 1 Introduction 12

0 Guiding Research Interests 12

1.1 Background of Research 13

1.1.1 The Dream of Free Trade 13

1.1.2 Nature of the Rome Treaty 13

1.1.3 The Initiation of CAP 14

1.1.4 Irreplaceable Status of Agriculture and Long-lasting Trade Barriers 15

1.1.5 Starting of the WTO Doha Round Negotiations 17

1.1.6 The Impasse of Doha Round Negotiations 20

1.2 Hypotheses 20

1.3 Research Methods 22

1.4 Literature Survey 26

Chapter 2 The WTO "Agreement on Agriculture" and the CAP 31

2.1 Main Contents of the AoA 31

2.2 CAP Establishing Process 32

2.3 Three Main Principles of Operations for CAP 34

2.3.1 Single Market Principle 34

2.3.2 Community Preference Principle 34

2.3.3 Financial Solidarity Principle 36
2.4 Running Procedures of the CAP 37
Chapter 3 Reforms of CAP 41
3.1 Recovery Period in the 1960s and 1970s 41
3.2 Reforms in the 1970s and the 1980s 42
3.3 The 1992 Reforms 44
3.4 Agenda 2000 46
3.5 Reforms in 2003 47
Chapter 4 Multilateral Agricultural Negotiations Promote Reforms to CAP 51
4.1 Promotion to the Reform of CAP in 1992 51
4.2 Promotion to the CAP Reform in 2000 52
4.3 Promotion to the CAP Reform in 2003 52
4.4 Promotion to CAP Health Check in 2008 53
Chapter 5 Agricultural Situations under CAP in Different Member Countries 54
5.1 France 54
5.1.1 Small Farm-Based Economy 54
5.1.2 Modern Agriculture in France 55
5.1.3 Export-Oriented Agricultural Industry 56
5.1.4 Influences of Politics to Agriculture 58
5.1.5 Development of Agriculture Led by the Government 58
5.1.6 The Realization of Sustainable Development of Agriculture 61
5.1.7 Technology Application's Promotion to Agricultural Innovation 63
5.1.8 France and the CAP 65
5.2 Germany 66
5.2.1 Going Through the Period of Agricultural "Social Market Economy" 66

5.2.2. DBV's Efforts to Heighten German Agriculture Status 67
5.2.3. Transfer of Policy-Makers and "Ertl Plan" 68
5.2.4 Features of German Agriculture Under the CAP in the 1970s 71
5.2.5 Agricultural Development Under the CAP After the 1990s 72
5.2.6 Conclusion for Germany's Stance in CAP and EU Agricultural Policies 77
5.3 Britain 77
5.3.1 Introduction of Britain's Original Farming Policies 77
5.3.2 Ensure Efficient and Stable Agricultural Sector 78
5.3.3 Arguments of Agricultural Policies Between "UK Model" and "Continental European Model" 79
5.3.4 Developing Process of CAP in Britain After the 1980s 80
5.3.5 British Subsidy Enforcement Mechanism and Agencies 83
5.3.6 Conclusion for UK's Stance in CAP and EU Agricultural Policies 84
5.4 Hungary 85
5.4.1 The First Agricultural Land Reform After World War II 85
5.4.2 Agricultural Cooperatives in 1956-1989 86
5.4.3 Land Privatization in the 1990s 89
5.4.4 Hungary's Accession Into the EU 91
5.4.5 The Support Budget Allocation for Newcomers After Accessions Into the EU 93
5.4.6 Conclusion for Hungary's Stance in CAP and EU Agricultural Policies 94
Chapter 6 Relationship Between CAP and Doha Negotiations 95
6.1 The Doha Work Program 95
6.2 The WTO Sixth Ministerial Conference in Hong Kong 96
6.2.1 Domestic Support 98
6.2.2 Market Access 98

Chapter 7 Empirical Analysis of Relations Between CAP and Impasse of Doha Development Round 100

7.1 For the Reform in 2003 100

7.2 Should SPS Be Called Green Box Measures? 101

7.3 The Story of "Chicken" and "Egg" 102

7.4 The Continuing Barriers 105

7.5 Is Green Box Support for Farmers Really "Green" to Free Trade of WTO? 107

7.6 Overall Balance of CAP- Doha Relations 112

Chapter 8 Agricultural Problems Existing in China 113

8.1 Income Problem of Farmers 113

8.2 Problems of Rural Regions 114

8.3 Problems of Agrarian Sector 114

8.4 Increasing Farmers' Income is the Key in Solving the Three Dimensional Rural Problems 114

8.5 China's Agricultural System and Its Irreplaceable Position in Nowadays China 116

Chapter 9 Conclusions 118

9.1 WTO Multilateral Agricultural Negotiations are the Main Driving Force of CAP Reforms 118

9.2 What Can China Learn From the EU to Develop Her Agricultural Policy Facing the Entry into the WTO 118

Literature List 123

Abstract

The agricultural problems in China are widely known as "three-dimensional rural problems" ("三农"问题) which are deeply influencing China's development. To better understand this problem and seek the best solutions to China's agricultural problems, from the consolidation of European Studies, this thesis studies the Common Agricultural Policy (CAP) of the European Union (EU) in the context of global trade liberalization. The thesis has explored the promoting role of the agricultural negotiations of the World Trade Organization (WTO) for the reforms of EU's agricultural support policies, developing status of agricultural sector in representative member countries, and CAP's influences on current WTO Doha Round of multilateral agricultural negotiations, and finally discuss CAP's revelations to China's agriculture.

Key words: common agricultural policy, agricultural subsidies, Single Payment Scheme, CAP reforms, World Trade Organization, Doha Development Round, multilateral trade negotiations.