

Farmgate

Part 2 – the ongoing developmental implications of EU agricultural subsidies

Final edition¹

Tim Rice
30th April 2003

SUMMARY

The EU proposal for modalities on agricultural negotiations was finally submitted to the WTO on 27th January 2003.² However, the proposal would in effect not commit the EU to do anything in a new round on reducing agricultural subsidies that it is not already doing. The EU will still be able to use vast quantities of export and domestic subsidies (whether in the amber, blue or green boxes). This will continue to enable producers to sell at less than the cost of production and for exporters to dump low-priced products onto the world market, particularly developing countries. This makes a mockery of the EU's attempts to make Doha a genuine development round.

One further serious dilemma for developing countries is the degree to which any improvements that the EU may ultimately offer in its proposal are tied to negotiations and concessions on other issues. For example, offering improved special and differential treatment within the Agreement on Agriculture in return for acceptance of new issues in the WTO (the EU's 133 Committee³ has confirmed to NGOs that the EU will not 'give on our defensives' (ie on agriculture) if they don't get new issues).

PURPOSE OF THIS BRIEFING

In September 2002, ActionAid published *Farmgate: the developmental impacts of agricultural subsidies* (Part 1).⁴ This briefing is an update on that publication, particularly in light of the EU's proposal for agricultural negotiations to the WTO and the so-called decoupled payments that the European Commission is pushing as part of the reform of the Common Agricultural Policy. This briefing is intended to highlight to other members of the WTO that these current proposals by the EU amount to nothing more than 'business as usual'; the EU will still be able to heavily subsidise agricultural production which will continue to distort trade and lead to dumping.

¹ Please send any comments to tjmr@actionaid.org.uk

² Since the drafting of this publication, the draft modalities paper on agricultural negotiations has been published. It keeps agricultural domestic subsidies in the North largely intact (retain green box subsidies, 50% reduction in blue box subsidies and 60% reduction in amber box subsidies) whilst proposing to phase out export subsidies over nine years. The draft modalities paper does not thus change the overall thrust and conclusions of this paper – that the EU will still be able to use vast quantities of export and domestic subsidies (whether in the amber, blue or green boxes).

³ The 133 Committee is made up of EU member states representatives, Council of Ministers trade experts and Commission negotiators whose task is to steer EU trade policy, follow the Commission's actions and resolve inter-EU governmental trade disputes. It is purely advisory but has become a very influential decision making body in determining EU trade policy.

⁴ ActionAid, 2002. *Farmgate: The Developmental Impacts of Agricultural Subsidies*. September, London.
<http://www.actionaid.org/ourpriorities/foodrights/farmgate.pdf>

INTRODUCTION

During December 2002 and January 2003, the EU submitted two important documents that will have significant implications for agriculture in developing countries. They are:

- *The EC's Proposal for Modalities in the WTO Agricultural Negotiations.*⁵
- *CAP Reform – A Long-Term Perspective for Sustainable Agriculture.*⁶

It now appears that the CAP reform process, which began as a 'review' last year (2002), had little, if any, bearing on the EU's negotiating proposal to the WTO. Many had thought that the reason why the EU was not able to table a firm proposal to the WTO in time for the deadline in December 2002 was that no decision had been reached on the CAP reform process. The EU is now adamant that the WTO proposal "*would require no more changes to the CAP, [thereby] rejecting any link to the Mid-Term Review*" of the Common Agricultural Policy.⁷

If there is no link,⁸ it raises serious questions as to why the EU failed to meet the WTO December deadline; to some observers this has been a cynical attempt by the EU to delay the whole negotiating process. It has always been ActionAid's view that the EU wants to see the timing of the agricultural negotiations slip to the Ministerial in Cancun and in all probability this is what will happen. The EU has always proposed that any new round would be negotiated as a 'single undertaking' and thus the EU would want to bargain any 'losses', on say export subsidies or the blue box, with 'gains' in other areas (ie, services and new issues). The EU's 133 Committee has confirmed to NGOs that the EU will not 'give on our defensives' (ie on agriculture) if they don't get new issues.⁹

The current EU agricultural proposal to the WTO proved to be exceptionally weak. In effect, it does not commit the EU to do anything in a new round that it is not already doing. As the following paper reveals, The EU agricultural commissioner is wrong to imply that "*Today's paper [the EU's WTO proposal] underpins our determination to further substantial liberalisation in farm trade*" (our emphasis).¹⁰ Contrary to the European Commission's own description of the proposal, it is far from ambitious,¹¹ but reflects the unwillingness of the EU to commit to an immediate dismantling of its subsidy regime. Consequently, detrimental impacts in developing countries – such as dumping - will continue.

EU PROPOSAL ON SUBSIDIES

This section is divided into two areas; domestic support and export competition.

Domestic Support

The Doha declaration: "*we commit ourselves to comprehensive negotiations aimed at... substantial reductions in trade-distorting domestic support.*"

⁵ European Commission, 2003a. *The EC's Proposal for Modalities in the WTO Agricultural Negotiations*
<http://europa.eu.int/comm/trade/goods/agri/modalities2.pdf>

⁶ European Commission, 2003b. *CAP Reform – A long-Term Perspective for sustainable Agriculture.*
http://europa.eu.int/comm/agriculture/mtr/index_en.htm. The legislative proposals can be found at:
http://europa.eu.int/comm/agriculture/mtr/memo_en.pdf

⁷ *Agra Europe*, 2002, Commission unveils WTO proposal on farm subsidies. December 20th.

⁸ However, a clear link has been established between the CAP reform process and the Harbinson draft proposals (which calls for a 50% reduction in blue box subsidies). The Commission is currently pushing for the decoupling of direct payments which would enable these payments to fall within the green box. If other WTO member countries are successful in getting the blue box eliminated in the WTO, the CAP reform process becomes pivotal to the EU for successful negotiations.

⁹ European Trade Network meeting, February 2003.

¹⁰ *Agra Europe*, 2002. Commission unveils WTO proposal on farm subsidies. December 20th.

¹¹ European Commission, 2003c. *WTO and agriculture: the European Union takes steps to move the negotiations forward.* 27th January. http://europa.eu.int/comm/trade/goods/agri/pr270103_en.htm

AMS: The EU has proposed to the WTO that it reduces its Aggregate Measure of Support (AMS) by 55% from its final bound commitment in the Uruguay Round (which was 67 billion euros).¹² The EU's actual and estimated expenditure following the Uruguay Round is shown in Table 1.

Figures for 2000/01 onwards have yet to be notified to the WTO but the reforms to the CAP under Agenda 2000 will have further decreased AMS support ('amber box' in WTO language). As such, ActionAid strongly believes that the current AMS is substantially below 50 billion and this will fall again when further reforms (particularly to the dairy and sugar sectors) are forthcoming and implemented. For example, The Commission is now proposing more fundamental reform of the dairy regime. The proposal calls for butter intervention prices to be reduced by 7% per annum between 2004 and 2008 and for skimmed milk powder intervention prices to be reduced by 3.5% per annum over the same period.¹³

Table 1: EU actual and estimated AMS expenditure^{14,15,16}

(Billion euros)	1997/98	1998/99	1999/00	2000/01*	2001/02*	2002-04*	Post 2004 [#]
Actual outlay ⁺	50	47	48	40-42	37-40	30-34	35+
% below final bound level	na	na	na	37-40%	40-45%	49-55%	48%

⁺ The EU is proposing that *de minimis* support be eliminated for developed countries. This will have minimal impact on EU domestic support as this amounted to only US\$308 million in 1999/00 (compared to \$7.4 billion for the US in 1999).

[#] Estimated for EU-25 in line with Agenda 2000 reforms (According to the European Commission – and reported in AgraEurope¹⁷ - the AMS in the EU is likely to fall to around 19 billion euros with the implementation of the CAP reform proposals although it is unclear as to whether this includes the 10 new member states).

* Estimated for EU-15 in line with Agenda 2000 reforms

In conclusion to this section, the EU's current proposal on AMS domestic support would in effect not commit the EU to do anything in a new round that it is not already doing. At a meeting of NGOs in Geneva,¹⁸ the European Commission effectively admitted this was the case and wanted 'credit' for going beyond their Uruguay commitments. This is disingenuous for three reasons.

- it misleads other WTO member states into believing that the 55% reduction is a commitment on further cuts in the AMS.
- the EU is moving domestic support out of the AMS into other forms of trade distorting domestic support (see immediately below)
- during the Uruguay Round the EU negotiated favourable reference years and high final bound levels.

Amber, blue and green boxes: Equally significant is that the EU wants to retain the blue box discipline as it currently exists in the AoA. Whilst AMS support is coming down, the EU is progressively moving domestic support away from AMS support (amber box) to direct payments (blue box - supposedly subsidies that are less trade distorting because they are combined with production limiting programmes such as set aside). So, in effect, the overall level of subsidies remains largely the same.¹⁹ The current review of the CAP proposes a move away from direct

¹² European Commission, 2003a. *Op cit.*

¹³ European Commission, 2003b. *Op cit.*

¹⁴ MAFF, 1998. AMS – Estimates of EU15 Aggregate Measure of Support: With Agenda 2000. Ministry and Agriculture, Food and Fisheries (now part of DEFRA), UK. <http://www.parliament.the-stationery-office.co.uk/pa/cm199900/cmselect/cmagric/246/00403p03.htm>

¹⁵ Huan-Niema, E. and J. Niemi, 2002. *The Next Round on Agricultural and EU Enlargement: Pressures for Reforms in the EU Common Agricultural Policy*. MTT Agrifood Research Finland, Helsinki.

¹⁶ WTO, 2003. Notifications on domestic support under Article 18.3. WTO web site. http://www.wto.org/english/tratop_e/agric_e/agric_e.htm

¹⁷ AgraEurope, 2003a. Is partial decoupling a realistic option for the CAP. April 11th 2003.

¹⁸ World Council of Churches, 2003. NGO Conference on the Harbinson draft modalities. Held at the World Council of Churches, Geneva 19-21/2 2003.

¹⁹ The reason for this is that under current WTO rules, amber box subsidies have to be reduced whereas blue box subsidies do not.

payments to decoupled payments, essentially a further move of subsidies out of the blue into the green box (subsidies that do not or minimally distort trade). ActionAid believes that the effect will again be the same and such subsidies will continue to distort production and trade and lead to dumping. Dumping is the sale of products on world markets at less than the cost of production and has three main effects; depressing world prices, displacing developing country exports out of third markets and undermining local domestic production in developing countries because producers cannot compete against cheap imported products.²⁰

The EU is the main user of the blue box. The EU knows that the blue box will come under justifiable criticism from a number of WTO members. Many are calling for its abolition. By proposing to move direct payments into decoupled payments, this would enable the EU to make such payments WTO compliant (they would fall under the green box which is likely to remain within the WTO). The EU however still wants to keep the blue box as not all subsidies will be decoupled and the EU would use it as a staging post for moving subsidies into the green box.

In conclusion to this section, the EU will still be able to use vast quantities of domestic subsidies (whether in the amber, blue or green boxes). This will continue to enable producers to sell at less than the cost of production and for exporters to dump low-priced products onto the world market, particularly developing countries.

EU decoupled payments (green box): The EU proposes to decouple the direct payment system by making the break with current production and instead basing payments on historical reference years. When the original proposals were published, NGOs were sceptical regarding the impact of decoupled payments on reducing production, being less trade distorting and thus potentially having some positive benefit to developing countries. However, ActionAid believes that the proposals do not decouple subsidies from production for four main reasons.

Firstly, the historical base reference years have been set at 2000-2002 thus linking payments to very recent output levels.

Secondly, impact studies reveal that the estimated level of production for the EU's major grain crops in 2009 following the introduction of the MTR proposals will in fact increase when compared to current production (see Table 2).²¹ And this increased production would be more than sufficient to offset any increase in consumption over the same period. For example, wheat production at the end of this decade under the MTR proposals would be about 111 million tonnes when consumption is forecast to be about 97 million tonnes (this situation may become worse with the accession of 10 new member states – for example, Hungary, Poland, the Czech and Slovak Republics all produce more wheat than they consume).²² Decoupled payments will thus not overcome the structural surpluses (and dumping) of agricultural produce in the EU.

Thirdly, the new decoupled payment system will “*be tied to a defined agricultural area*”²³ and thus will be closely associated with the direct payments that are currently in use as these are also area based. As ActionAid has already shown in *Farmgate: The Developmental Impact of Agricultural Subsidies*, direct payments are used to bridge the gap between higher costs of production in the EU and the lower world price (as in wheat). ActionAid believes that decoupled payments would

²⁰ For further information on the impacts of dumping, see the following publications. *Farmgate: the developmental impact of agricultural subsidies*. ActionAid Policy Paper, September 2002 <http://www.actionaid.org/ourpriorities/foodrights/farmgate.pdf>. *Dumping on the Poor*. CAFOD Policy Paper, October 2002 <http://www.cafod.org.uk/policy/dumpingonthe poor200209.pdf>. *The Great EU Sugar Scam: How Europe's Sugar Regime is Devastating Livelihoods in the Developing World*. Oxfam Briefing Paper, August 2002. <http://www.oxfam.org.uk/policy/papers/27sugar/27sugar.pdf>

²¹ This is in contrast to the findings of the EU. This is because the analyses by the EU contrasts the level of production in 2009 should the MTR proposals be implemented against the level of production in 2009 if current policies continue to be adopted (essentially Agenda 2000). The EU analysis does not contrast the level of projected MTR production against current production.

²² OECD, 2001. *OECD Agricultural Outlook 2001-2006*. Organisation for Economic Co-operation and Development.

<http://www1.oecd.org/publications/e-book/5101061E.PDF>

²³ *AgraEurope*, 2003b. The CAP reform proposals in detail. 24th January. There is now some confusion whether the Commission proposals actually relate to the land or whether it can be detached by the beneficiaries (ie farmers).

have the same effect and producers will still use the payment to subsidise their production. As one farmer confirmed: “bear in mind that the [current] area aid subsidy is paid to us in addition to the market price. For some strange reason all farmers conveniently forget to mention these facts when they tell everyone how awful prices are. To take wheat as an example, the subsidy added another £33/tonne [about \$55 per tonne] to the market price this [2001] harvest.”²⁴ It should also be borne in mind that without direct payments, the average-sized wheat farmer in the UK and the EU would currently go out of business because wheat prices are historically very low. The EU and the Commission would not conceivably accept such a situation. For small to medium sized farms to survive in the current farming climate, it has to be accepted that decoupled payments will continue to bridge the gap between high costs and low prices. It will thus influence production.

Table 2: EU-15 production 2002 and 2009 (after the introduction of the MTR reform proposals)^{25,26,27}

	EU Production 2002 (mill tonnes)	Impact models – EU Production in 2009					Projected EU-15 consumption increase 2002-07
		CAPSIM	FAPRI	CAPRI	CAPMAT	Average	
Soft Wheat	97.2	99.9	108.2	96.5	102.2	101.9 (+5%)	+4%*
Maize	40.7	42.6	42.0	38.9		41.2 (+1%)	(+2%*
Barley	48.5	47.8	51.5	50.0		49.8 (+3%)	(
Durum wheat	9.2	8.8	9.6	7.0	9.8	8.8 (-4%)	
Rice	1.5		1.8	2.9	1.2	2.0 (+33%)	+0.5%
Rye	5.4		4.7	6.0	4.5	5.1 (-6%)	

* Coarse Grains (Maize, barley, oats etc)

Fourthly, the US has been the main users of green box subsidies and it is from here that we can draw about the possible implications of green box subsidies in the EU (see box 1). The evidence from the US points to the fact that some green box subsidies are not decoupled and lead to increased production (and thus potentially distort trade).

Table 3. Wheat in the UK 2002

<u>Costs</u>	
Av Cost of Production	£106/tonne (estimated)
<u>Income</u>	
Av Direct payment	£30/tonne ←-----Replaced by decoupled payments
Av Export price	£70/tonne
<u>Profit/loss</u>	-£6/tonne

In conclusion to this section, the EU decoupled payment proposal is potentially far from decoupled. If the EU 15 member states accept this proposal (and at the time of writing, ‘full’ decoupling was looking increasingly unlikely²⁸), green box subsidies will continue the same trend as established under the blue box. They (will) increase production, distort trade and lead to dumping.

²⁴ Thriplow Farms, 2002. Annual Report 2001. <http://www.thriplow-farms.co.uk/annual.htm>

²⁵ Goodison, P. Some Critical Reflections on the Impact Assessment Studies of the CAP MTR Proposals. ERO, Brussels.

²⁶ European Commission, 2003d. *CAP Reform: Impact Analyses of the Mid-term Review Proposals*. http://europa.eu.int/comm/agriculture/publi/reports/mtrimpact/index_en.htm

²⁷ OECD, 2001. *Op cit*.

²⁸ A number of EU member states object to the decoupling proposals but have indicated that they might accept partial decoupling (some sectors are decoupled, some are not).

Box 1: Green Box in the US

The US supports its agriculture primarily through the Green Box. A significant proportion is targeted at specific conservation programmes. However, the US has also been criticised for using the green box to support agriculture through subsidies that are far from decoupled. One such programme is the Production Flexibility Contracts (PFCs) that came into effect in the FAIR Act in 1996.

PFCs are annual lump sum direct payments in support of grains and cotton. The years 1986-88 were used as the crop area reference for calculating payment levels and are thus de-linked from current production (and thus qualify for green box status).^{29,30} In the year 2002, PFC payments amounted to about \$4 billion.^{31,32}

Despite its Green box status, PFCs have been criticised on at least four counts, namely whether “payments may nonetheless result in commodity production higher than would be the case in the absence of the program”.³³ The four reasons are:^{34,35}

- Wealth effects; guaranteed payments are an annual flow of income that the farmer may invest in the farm operation, potentially increasing production.
- Any income that reduces income variability – and thus risk – will tend to increase output. In addition, PFCs were supplemented by massive ‘emergency payments’ as a result of low prices. “This gives producers the signal that the US government will help them out when times are tough, which is likely to encourage farmers to remain producing when prices are low as the government will cover the risk.... the provision of these emergency payments calls into question whether the PFC payments themselves remain decoupled.”³⁶ In 1998, the US Congress voted almost \$6 billion new funding partially to cover falls in world prices.³⁷
- The PFC programme ran from 1996 to 2002. The farmer may well have felt compelled to keep production and acreage high in case the base reference years changed. This is exactly what happened in 2002 (see below).
- The payments are not totally decoupled because a farmer is not allowed to grow certain other crops – such as fruit and vegetables – on the land. The farmer thus has an incentive to keep growing the crops that are eligible for the programme.

Others have also estimated that the PFC programme increased the total planted acreage thus distorting production.³⁸

²⁹ Watkins, K, 2002. *Cultivating Poverty – the Impact of US Cotton Subsidies on Africa*. Oxfam Briefing Paper, 30.

<http://www.oxfam.org.uk/policy/papers/30cotton/30Cotton.pdf>

³⁰ Pohl, N. and G. Heiduk, 2002. *The Doha Round of Trade talks and EU/US Agricultural Policy*. Paper presented at the workshop ‘WTO and World trade, IV; the Doha Round of Trade Talks’. Seattle, September 28th.

³¹ Andrews, N., R. Nelson, S Hagi Hirad and I. Shaw, 2002a *Grains Policies in a Global Market*. Abare Research Project, Report 02.8. Page 22.

³² Blandford, D., 2001. A US Perspective on the Current Round of Agricultural Trade Negotiations. Pennsylvania State University, page 10.

³³ Gardner, B., 2002. *North American Agricultural Policies and Effects on Western Hemisphere Markets since 1995, with a Focus on Grains and Oilseeds*. Department of Agricultural and Resource Economics. University of Maryland, Page 17.

³⁴ Gardner, 2002. *Op cit*.

³⁵ Andrews, N., R. Nelson, S Hagi Hirad and I. Shaw, 2002a *Grains Policies in a Global Market*. Abare Research Project, Report 02.8.

³⁶ Andrews, N., R. Nelson and S Hagi Hirad, 2002b. *Global Grains Policy and WTO Agricultural Negotiations*. Abare current issues, January.

³⁷ Andrews *et al*, 2002a. *Op cit*, Pages 28 and 29.

³⁸ Gardner, 2002. *Op cit*. page 18.

Box 1: continued

In 2002 the US Farm Bill replaced the PFC with a similar system known as direct payments (the Bill also increased the amount and in 2002 farmers were eligible for both programmes). In 2002, direct payments amounted to \$5 billion.³⁹ However, the reference period for calculating the base year changed to 1998-2001, effectively re-coupling subsidies to production by linking payments to recent outputs.⁴⁰

For all these reasons, the PFCs and direct payments system in the US are not decoupled from production and raises serious questions about the proposed EU system. The EU decoupled payment proposal is more flexible in that the land does not have to be under production and other crops can be grown on it.⁴¹ However, the reference years for the EU decoupled model are even more recent (2000-2002) again effectively tying it to recent production.

Export Competition

Doha Commitment: *“we commit ourselves to comprehensive negotiations aimed at... reductions of, with a view to phasing out, all forms of export subsidies.”*

The EU proposes to reduce the value of export subsidies by 45% from its final bound commitment in the Uruguay Round (which was 7448 million euros). The EU's actual expenditure following the Uruguay Round is shown in Table 4.

Export subsidies in the EU's WTO proposal were one of the most contentious for EU member states. In their final submission to the WTO, the original proposal was watered down. The proposed phasing out of export subsidies on named products – such as wheat - proved to be too much for some members and was dropped.

Table 4: EU Export refunds 1996-2001⁴²

(Million euros)	1996/97	1997/98	1998/99	1999/00	2000/01
Actual outlay	5565	4361	5336	5614	2763
% below final bound level	Not applicable	na	na	na	63%

There are three important elements to the EU's proposal. Firstly, the proposal does not give any specific percentage reduction on the volume of export subsidies (referring only to a commitment to substantially reduce them). The EU has been more constrained by WTO commitments regarding the volume of export subsidies and thus has made no precise commitments in this respect. It has however been less constrained by export subsidy values.

Secondly, the EU proposal calls for an average cut in export subsidies in an attempt to get away from product specific reduction commitments under the Uruguay Round. In this way it will be able to keep the value of export subsidies high on certain sensitive products (dairy, sugar and meat) whilst cutting back on less sensitive products.

Thirdly, whilst the value of export subsidies is coming down (consistent with WTO and CAP commitments), the current proposal on export subsidies would in effect not commit the EU to do anything in a new round that it is not already doing (see Table 4). At a meeting of NGOs in

³⁹ Skorburg, J., 2002. *An Economic Approach to the WTO Amber Box*. American Farm Bureau Federation. Page 3.

⁴⁰ Watkins, K., 2002. *Op cit*.

⁴¹ *AgraEurope*, 2003b. *Op cit*.

⁴² Reichert, T., 2002. Personal communication. Taken from WTO web site.

Geneva,⁴³ the European Commission effectively admitted this was the case and wanted 'credit' for going beyond their Uruguay commitments. This is disingenuous for two reasons.

- it misleads other WTO member states into believing that the 45% reduction is a commitment on further cuts in export subsidies.
- during the Uruguay Round the EU negotiated favourable reference years and high final bound levels.

In conclusion, vast quantities of export refunds – both by value and volume – will still be available to exporters to dump products onto the world market, particularly developing countries.

CONCLUSIONS AND IMPACTS ON DEVELOPING COUNTRIES

There is little if anything in the CAP reform process and the EU's proposal to the WTO that will end the continued over production of agricultural products in the EU. ActionAid believes that decoupled payments will still enable producers to sell products at less than their cost of production; ie, it will be dumped in world (and developing country) markets. Other WTO member states should not be fooled into believing that the current decoupled and green box proposals will solve any of the problems associated with subsidies in the developed world. ActionAid believes that the EU proposal is totally inadequate because:

- There will be no substantial reduction in trade distorting subsidies in a new round.
- The EU has no intention of phasing out export subsidies in a new round.
- The EU proposal makes of mockery of any attempts to make Doha a genuine development round.

RECOMMENDATIONS

The developed world and the WTO should:

- eliminate immediately all forms of export subsidies in developed countries;
- phase out trade amber box subsidies in developed countries as soon as possible in full consultation with developing countries (recognising that some developing countries benefit, for example, from the higher EU internal prices);
- eliminate immediately blue box subsidies in developed countries;
- review disciplines in the green box in developed countries to assess their impact on production and trade and to ensure that they are fully decoupled from production (and targeted only at the delivery of public goods);
- implement supply management policies to curb over-production of agricultural products.
- overhaul and make operational the Marrakech Decision of 1994, which promised transitional support to compensate food importing developing countries for any rise in food prices.
- oppose the extension of the so-called 'Peace Clause' that exempts agriculture from challenge under WTO disciplines on subsidies and dumping. The Peace Clause is set to expire at the end of 2003.

In addition, the WTO should include the following measures to put development and food security at the heart of the AoA:

- The introduction of a Development Box for developing countries.

⁴³ World Council of Churches, 2003. NGO Conference on the Harbinson draft modalities. Held at the World Council of Churches, Geneva 19-21/2 2003.

Also the WTO should include the following measures to rebalance the inequalities in the AoA between subsidies and tariffs:

- The introduction of a balancing mechanism within the AoA for developing countries. The aim would be to address the problem of the accumulated effects of high levels of subsidies provided to agriculture in the North by allowing developing countries to adjust their tariff levels in accordance with the level of subsidies in the exporting country.
- Developing countries should be provided the flexibility to deal with issues such as price volatility and import surges through special safeguards.