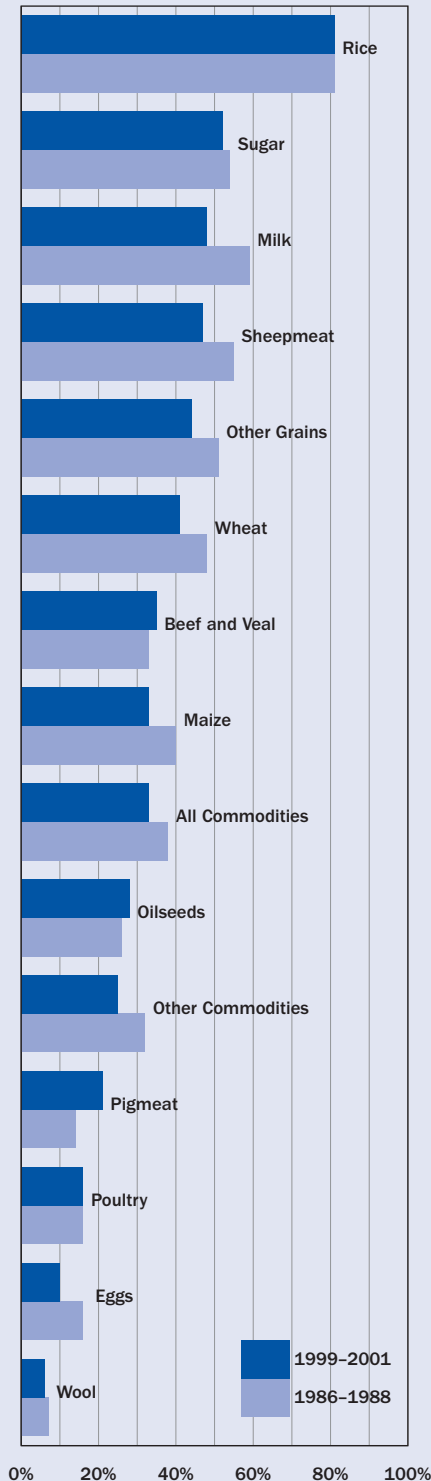


**Producer Support Estimate  
by Commodity**  
(OECD average as % of value  
of gross farm receipts)



Source: *Agricultural Policies in OECD Countries, Monitoring and Evaluation 2002*, OECD, Paris, 2002.

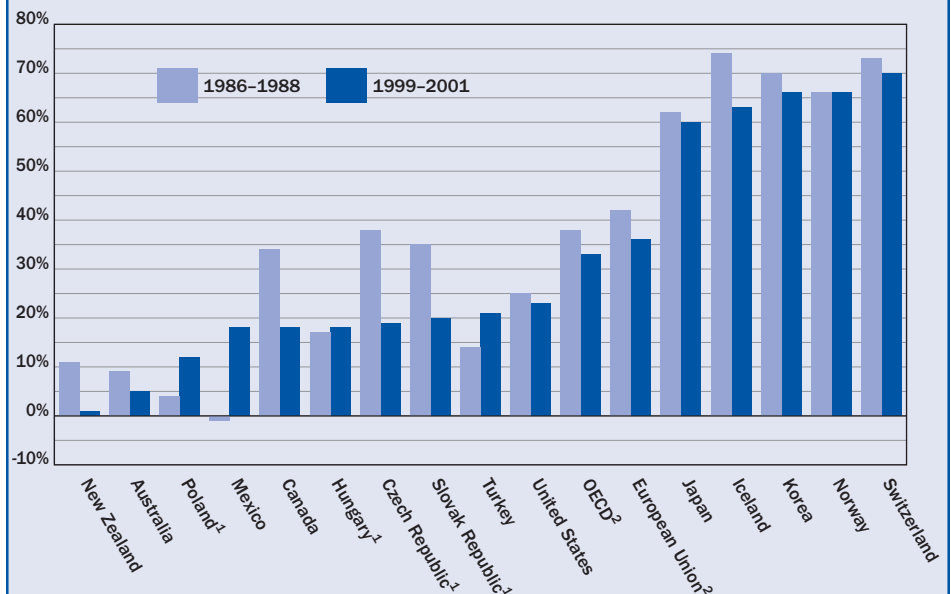
## Farm Subsidies Continue to Distort World Markets

Limited and insufficient progress in agricultural reform was made last year according to a new OECD study, *Agricultural Policies in OECD Countries: Monitoring and Evaluation 2002*. OECD total support to agriculture amounted to \$311 billion in 2001, approximately six times that spent on aid to developing countries. Support to agricultural producers accounted for 31% of total farm receipts, however support levels varied greatly across countries and commodities. New Zealand and Australia had the lowest amounts, with 1% and 4% respectively, while Japan, Korea, and Switzerland were among the highest at 59%, 64%, and 69%. The United States fell below the average at 21%, while the European Union was at 35%. The most supported commodities are rice, sugar and milk. Virtually all support to these is price support which is potentially the most production and trade distorting policy measure.

Much of the subsidies to producers in OECD countries distorts production and trade in the form of market price support and output payments. Prices received by OECD farmers in 2001 were still on average 31% above world prices, shielding farmers in many countries from world market signals. Although there has been some progress in this sector, greater policy reforms are needed to implement better-targeted measures that are less distorting, alleviate consumer and taxpayer costs, decrease stress on the environment and improve international trade opportunities, especially for developing countries.

OECD, Paris (2002) *Agricultural Policies in OECD Countries, Monitoring and Evaluation 2002*, ISBN 9264-19764-8, \$59.00.

**Producer Support Estimate by Country**  
(% of value of gross farm receipts)



Notes: 1. For Czech Republic, Hungary, Poland and Slovak Republic: The figure in the first column refers to 1991-93. 2. Austria, Finland and Sweden are included in the OECD totals for all years and in the EU from 1995. Source: *Agricultural Policies in OECD Countries, Monitoring and Evaluation 2002*, OECD, Paris, 2002.

### African Countries and Growth Performance (based on average growth 1990–1998)

#### Fast Growers

Benin  
Botswana  
Cape Verde  
Equatorial Guinea  
Eritrea<sup>1</sup>  
Ghana  
Lesotho  
Mauritius  
Mozambique  
Sudan  
Uganda

#### Moderately Fast Growers

Burkina Faso  
Chad  
Côte d'Ivoire  
Ethiopia  
Gabon  
Guinea  
Malawi  
Mali  
Mauritania  
Namibia  
Seychelles

#### Moderately Slow Growers

Gambia  
Kenya  
Niger  
Nigeria  
Rwanda  
São Tomé & Príncipe  
Senegal  
South Africa  
Swaziland  
Tanzania  
Togo  
Zimbabwe

#### Slow Growers

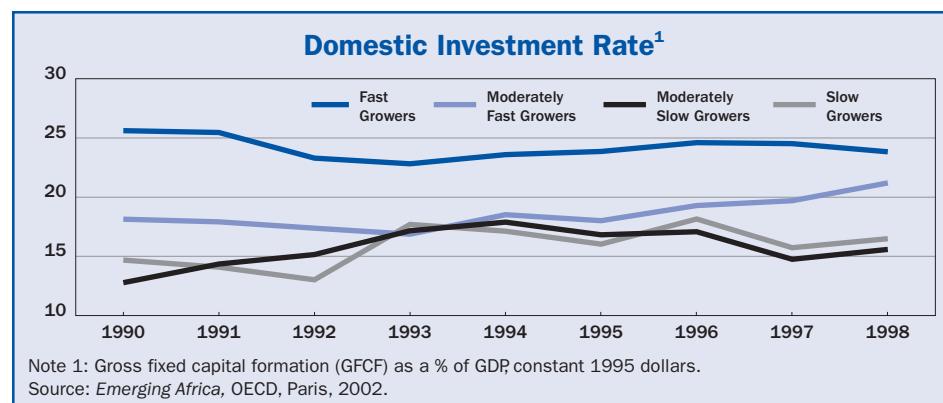
Angola  
Burundi  
Cameroon  
Central African Republic  
Comoros  
Congo  
Democratic Republic of the Congo  
Guinea-Bissau  
Madagascar  
Sierra Leone  
Zambia

Note: 1. Included as from 1992.  
Source: *Emerging Africa*, OECD, Paris, 2002.

## Slow Progress in Poverty Reduction in Africa

The 1990s were marked by improved economic growth in sub-Saharan Africa, from a rate close to zero in 1991–92 to nearly 5% in 1996. This overall growth is a positive sign for the region, however growth was uneven. A new study by the OECD, *Emerging Africa*, analyzes the economic and social progress achieved by African countries in the 1990's. It attributes growth to several factors, one being increased investment. When divided into four groups of countries according to GDP growth rates, the average investment ratio of the fast growers was about 25% compared to 15% for the other groups. The study also suggests that economic growth does not automatically lead to a reduction in poverty. When comparing data on the proportion of the population living below the poverty line and average per capita income along with non-monetary poverty indicators such as life expectancy at birth, average infant mortality rate, and illiteracy rate, fast grower countries had mixed results. Only those that have enjoyed rapid growth for more than ten years have a human development index above the regional average.

OECD, Paris (2002) *Emerging Africa*, ISBN 9264-19655-2, \$31.00.



## Hope for Africa through Regional Integration

Historically, Africa has been falling short in foreign investment. Net private capital to all developing countries increased 17-fold from 1980 to 1996, however it merely doubled for developing countries in Africa. *Regional Integration in Africa*, a collection of papers presented at the March 2001 International Forum on African Perspectives, stresses that a key factor in attracting foreign direct investment is having a regionally integrated economy. Regional integration will create larger, more liquid stock exchanges, establish more efficient pricing policies, and allow for a freer flow of information and goods. Better integration would upgrade general standards such as accounting principles and corporate reporting, so as to eliminate the corruption that often plagues African governments. Importance is also placed upon the development of infrastructure by way of regional agreements, improving on power, water, transport, and telecommunications. The report calls on Latin America to be used as an example for African integration initiatives, both in its steps taken towards success and the obstacles that can and must be overcome along the way to development.

OECD, Paris (2002) *Regional Integration in Africa*, ISBN 9264-19779-6, \$31.00.

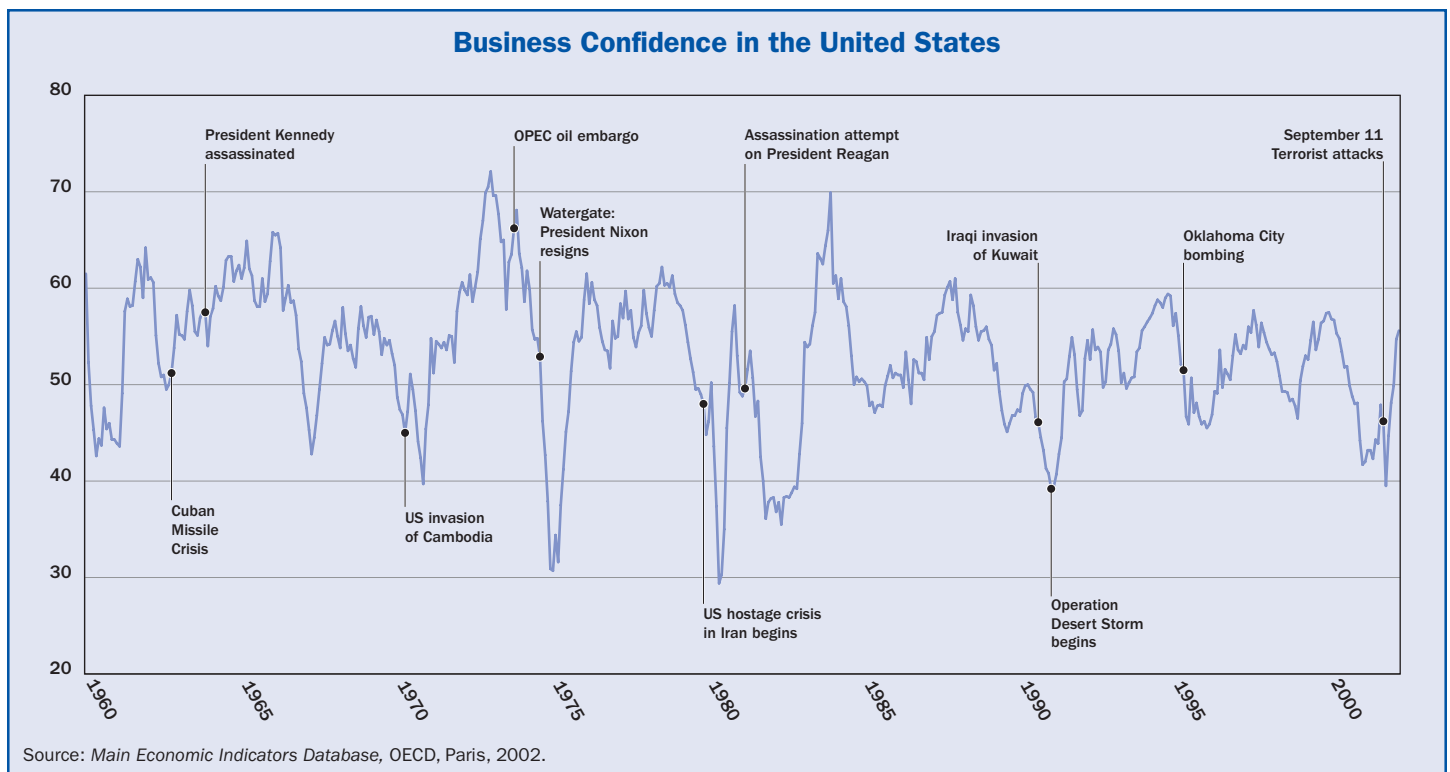
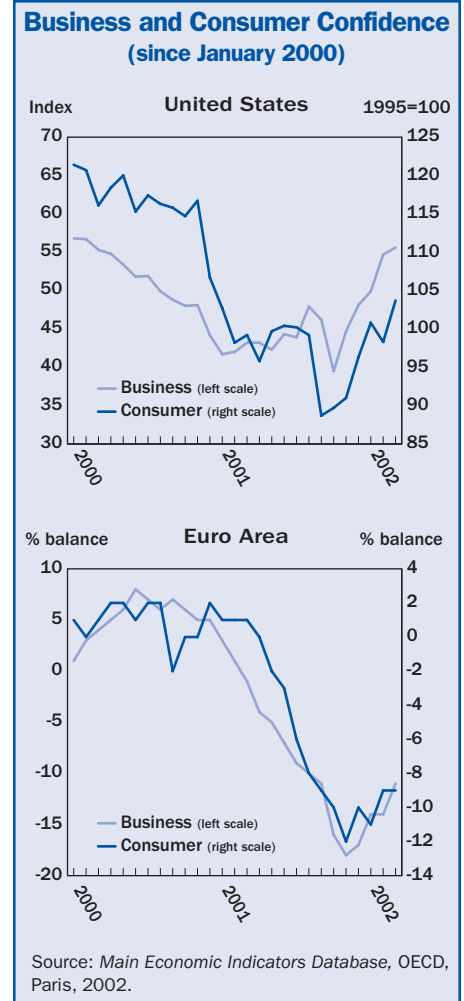
# After September 11<sup>th</sup>: Back to Business as Usual?

Nine months after the September 11<sup>th</sup> terrorist attacks, the United States economy appeared to be well on its way to recovery. The attacks prompted a brief period of declining confidence, but a strong and rapid public policy response as well as international cooperation were crucial to the rebuilding of economic confidence. Particularly important were the decisions by the Federal Reserve and other central banks to lower interest rates and provide ample liquidity. These and other emergency measures restored confidence, stabilizing international financial market prices, and restoring economic growth. However, was it back to business-as-usual for everyone?

A new OECD study, *The Economic Consequences of Terrorism*, reports that the prioritization of national security will have a major impact on business. Increased military and defense spending, although it has helped offset the declines in the travel and tourism industries, will reduce investments in more profitable ventures. This will have a reverse effect on the post-Cold War era “peace dividend.” Heightened security at borders will make it more expensive and time-consuming to transport goods and therefore reduce trade. Costs in other sectors may also rise as companies invest in increased security and to ensure back-up capacity of core functions. The insurance industry was also significantly affected; losses are estimated to be between \$30 and \$58 billion, premiums have skyrocketed, increasing by an average of 30% and coverage has been substantially reduced especially for so-called “terrorist targets.” Although no major insurance bankruptcies have occurred, the study warns that firms may not be able to withstand another, similar shock.

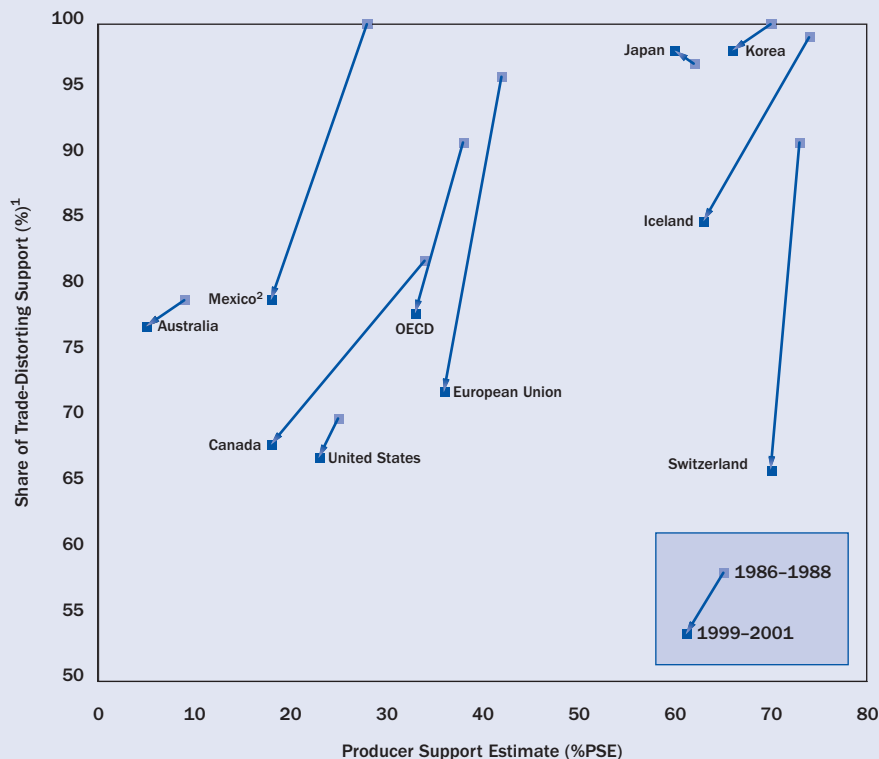
OECD, Paris (2002) *Economic Outlook No. 71, June 2002*, ISBN 9264-19161-5, \$60.00.

More information about the publication, including *The Economic Consequences of Terrorism* chapter, is available for free here: [www.oecd.org/eco/economic\\_outlook](http://www.oecd.org/eco/economic_outlook).



# Progress in Agricultural Policy Reform

Progress in policy reform is measured both by decreases in how much support is given (%PSE, horizontal axis) and decreases in how much of that support is trade distorting (vertical axis). Each point in the graph shows the combination of the %PSE and the share of trade distorting support. The point at the tail of an arrow refers to 1968-88 and the point at the head of an arrow refers to 1999-2001. Progress in decreasing both types of support is demonstrated by movement towards the lower left corner of the graph.



Notes: 1. Trade distorting support refers to the percentage share in PSE of market price support and payments based on output and input use for the years concerned. 2. 1991-93 average for Mexico.  
Source: *Agricultural Policies in OECD Countries, Monitoring and Evaluation 2002*, OECD, Paris, 2002.



ORGANIZATION FOR  
ECONOMIC COOPERATION  
AND DEVELOPMENT

## OECD Washington Center

2001 L Street, N.W., Suite 650  
Washington, DC 20036-4922  
Phone (202) 785-6323  
Fax (202) 785-0350  
Book Orders Only (800) 456-6323

## OECD Washington Center Contacts

Press & Information Contacts:

Sandra Wilson (202) 822-3866  
sandra.wilson@oecd.org

Joachim Doll (202) 887-3466  
joachim.doll@oecd.org

Susannah Holmes (202) 822-3873  
susannah.holmes@oecd.org

Kristen Ross (202) 822-3863  
kristen.ross@oecd.org

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OECD Washington Center  
2001 L Street, N.W., Suite 650  
Washington, DC 20036-4922