seems to indicate that the observed gains in stature and longevity are responsible for some portion of modern economic growth, both in developing countries and in industrialized countries. Nevertheless, research on this topic has not yet reached a stage that would allow for detailed quantitative assessments. Further research on long-run changes in adult height as a determinant of labor productivity promises high rewards, especially for developing countries.

Taken together, substantial statistical improvements seem to be necessary before the role of human capital can be appropriately evaluated at the macroeconomic level. International differences in the quality of schooling, the experience of the workforce, the nutritional status, and the health status all point to possible measurement errors that are likely to arise when only the quantity of formal education is used as a proxy for human capital. The results of a number of recent econometric studies based on such inferior estimates of human capital indicate that there is ample room for improvement of the empirical estimates. In the meantime, economic theory has to carry the bulk of the argument which favors the view that human capital formation is one of the most important determinants of economic development.

Evita Schmieg*

Coherence between Development Policy and Agricultural Policy

The practical shaping of the EU's common agricultural policy and the instruments used to pursue its goals are often in conflict with the development policy goal of a trade regime which offers developing countries open markets as a contribution, in the long term, to reducing the poverty gap between nations. What are the possible areas of conflict between agricultural policy and development policy? How can these policies be made more coherent?

In recent years, increased attention has been paid to the reciprocal interplay of development policy and other policy areas and to the impact they have on each other. In part as a result of the Maastricht Treaty, but also as a reflection of the chronic budgetary problems of the industrialised nations, there is an increasing need to ensure that the formulation of policies in diverse areas should be coherent and that the impact of political instruments should not be contradictory. In this context, there is a particularly strong relationship and interaction between trade, environment, financial and agricultural policy on the one hand and development policy on the other. The aim of this paper is to undertake a closer examination of the connection, the interaction and the possible areas of conflict between agricultural and development policy.

Any consideration of the interrelationship of agricultural and development policy must be undertaken at a European level as well as in the national German context. The Common Agricultural Policy (CAP) was among the first of the common policy areas of the European Union. It is also the one in which integration is most advanced. The goals and the functioning of agricultural policy are defined mainly at a Europe-wide level. German development policy, on the other hand, is an independent area of policy under national responsibility which is supplemented by a European Union development policy implemented by the European Commission. The joint goals of European development policy were defined for the first time in the Maastricht Treaty of 1992.

Consideration of the relationship between development and agricultural policies must therefore take into account the fact that decisions are made at various levels for which different decision-makers are responsible.

Goals and Instruments

The EC Treaty sets out the objectives of the Common Agricultural Policy in Art. 39. They are:
a) ... to increase agricultural productivity ...
b) ... to ensure a fair standard of living for the agricultural community...
c) ... to stabilise markets...
d) ... to assure the availability of supplies ...
e) ... to ensure supplies reach consumers at reasonable prices ...

To achieve the objectives of the EC agricultural policy, a system of market regulations was created covering some 90% of the community’s agricultural production. Central to these market regulations are support prices. Generally above world market levels, these EU prices are safeguarded externally by import duties which have been bound in GATT since the GATT Uruguay Round. Exports are made possible through a system of export rebates which pay exporters the difference between the world market price and the higher internal EU price.

The Federal Government’s concept for development policy defines as its aim “to improve the living conditions of people particularly of the poorer sections of the population in our partner countries.” According to the Basic Outlines of Development Policy (Grundlinien der Entwicklungspolitik) the Federal Government therefore “... promotes regional co-operation and the integration of developing countries into the international economy.”

The EU Treaty (Art. 130u) defines the goals of development cooperation as economic and social development, the campaign against poverty and “the smooth and gradual integration of the developing countries into the world economy.”

The most significant instruments for achieving these goals are as follows: policy dialogue along with credits and grants for projects and programmes undertaken by developing countries; at a European level the granting of trade preferences (the Lomé Convention and the Generalised System of Preferences); the stabilisation of export receipts (STABEX) and support for structural adjustment measures.

What points of contact can be derived from the objectives of these two policy areas? The objectives of agricultural policy are primarily internal ones, directed towards the Federal Republic of Germany and the European Union. The objectives of development policy encompass, on the one hand, national concerns of the developing countries and, on the other hand, world economic interests. These in turn impinge, albeit indirectly, on national economic concerns.

The goals of agricultural policy, as they are defined in the EC Treaty, need not per se conflict with the goals of development policy. Equally, the scope of agricultural and development policy are, a priori, different. However, the practical shaping of the common agricultural policy and the instruments used to pursue its goals – in particular the principle of community preference which is inherent in European agricultural policy – are often in conflict with the development policy goal of a trade regime which offers developing countries open markets as a contribution, in the long term, to reducing the poverty gap between nations.

It was the Maastricht government conference which for the first time acknowledged the links between development policy and other policy areas and which emphasised that the development policy goals should be respected in the formulation of policy. This is, above all, reflected in Art. 130v of the EC, the so-called coherency clause: “The Community shall take account of the objectives referred to in Article 130u in the policies it implements which are likely to affect developing countries.”

The EU and World Agricultural Markets

The instruments of the Common Agricultural Policy were remarkably successful in implementing the objectives of raising agricultural productivity and production. Since the beginning of the eighties, the EU has become self-sufficient or has moved into surplus in a number of major products. The degree of self-sufficiency was still rising into the early nineties. To name some examples, in the years 1991-92, the Community produced 129% of the cereals it consumed, 123% of its sugar and 115% of beef and veal consumption.

Over the same period, the EU transformed itself in world markets from net importer to net exporter of many agricultural products. For example, the EU share of world grain exports rose from 7% to 22% in the period 1971-90; its share of beef exports rose from virtually zero to 25%, making the EU the largest beef exporter in the world. Its share of world sugar exports rose from approx. 9% in the sixties to over 20% in the eighties.

1 Walter Schug: Agrarpolitik der Europäischen Union und Dritte Welt, in: Aus Politik und Zeitgeschichte, Beilage zur Wochenzeitung Das Parlament, B 33-34/95, p. 34.
2 Agrarbericht der Bundesregierung 1995, Table 137.