

**27th FAO Regional Conference for Europe and Central Asia**

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# **Challenges in Agriculture and Rural Development**

Franz Fischler

Yerewan, May 12th - 14th, 2010

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## 4 Main Challenges

- **The Economic Crisis**
- **Climate Change**
- **Growing Market Volatility**
- **Rural Zones: The Losers of Globalisation?**

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## **The Economic Crisis**

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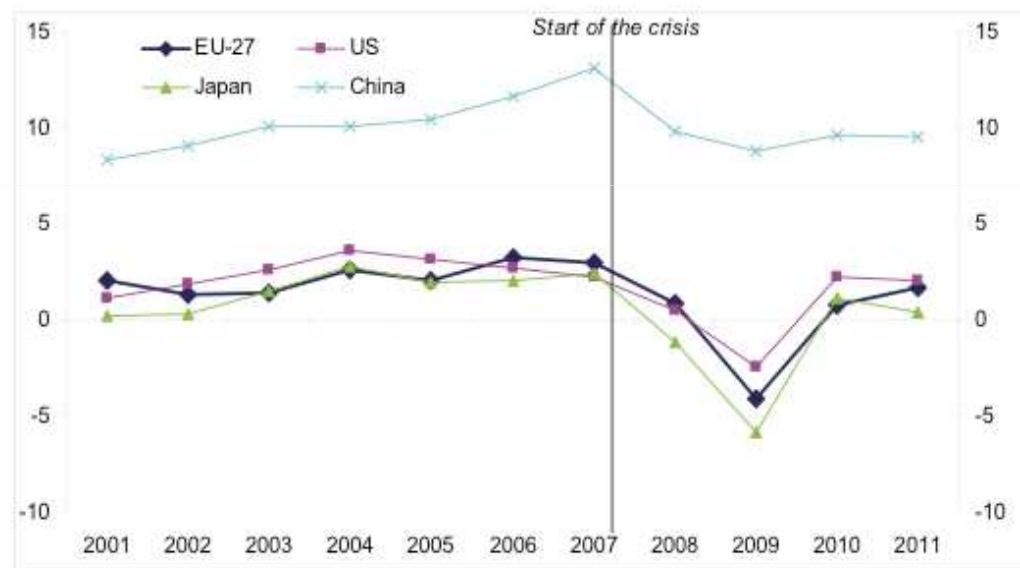
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## Europe's growth was severely hit

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Annual GDP growth (%)



Source: European Commission

Presentation of J.M. Barroso to the Informal European Council, 11 February 2010

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### The crisis has wiped out progress

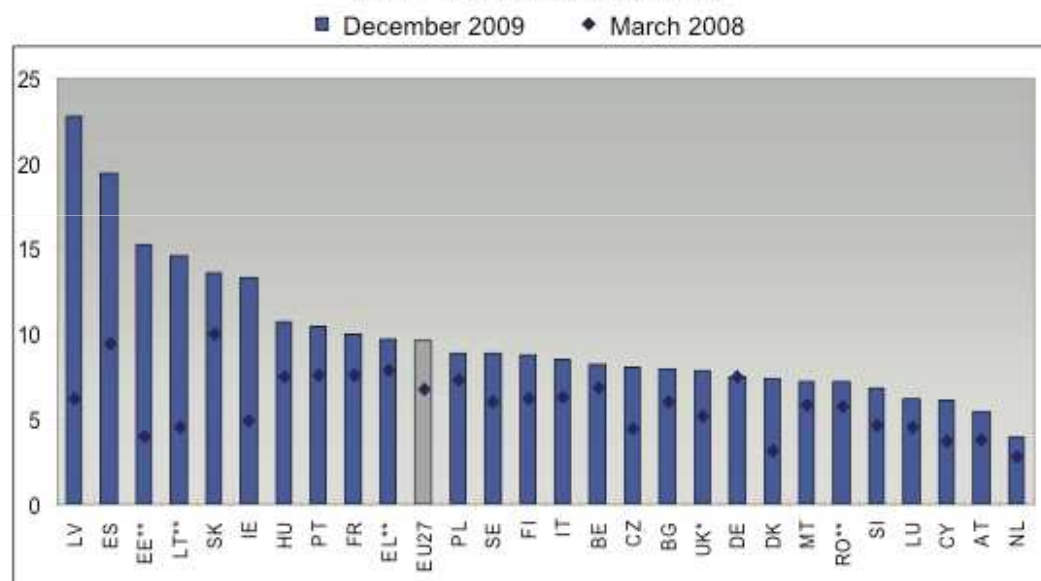
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- GDP growth: -4% in 2009, worst since the 1930s
- Industrial production: -20% with the crisis, back to the 1990s
- Unemployment levels:
  - 23 million people
  - 7 million more unemployed in 20 months
  - expected to reach 10.3% in 2010 (back to 1990s level)
  - youth unemployment over 21%

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## Unemployment has spread

Unemployment rates in the EU, December 2009  
(and increase since March 2008)



Source: European Commission

Notes: \* UK: October 2009; \*\* EE, EL, LT and RO: third quarter 2009

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### Europe must react to avoid decline

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- Our growth potential has been halved by the crisis: if we do nothing, we will end the decade with very low economic growth
- Ageing is accelerating: our working age population will be reduced by about 2 million by 2020, and the number of 60+ is increasing twice as fast as before 2007
- Productivity levels are lagging behind: two-thirds of our income gap with the US is due to lower productivity

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### **Our room for manoeuvre is limited**

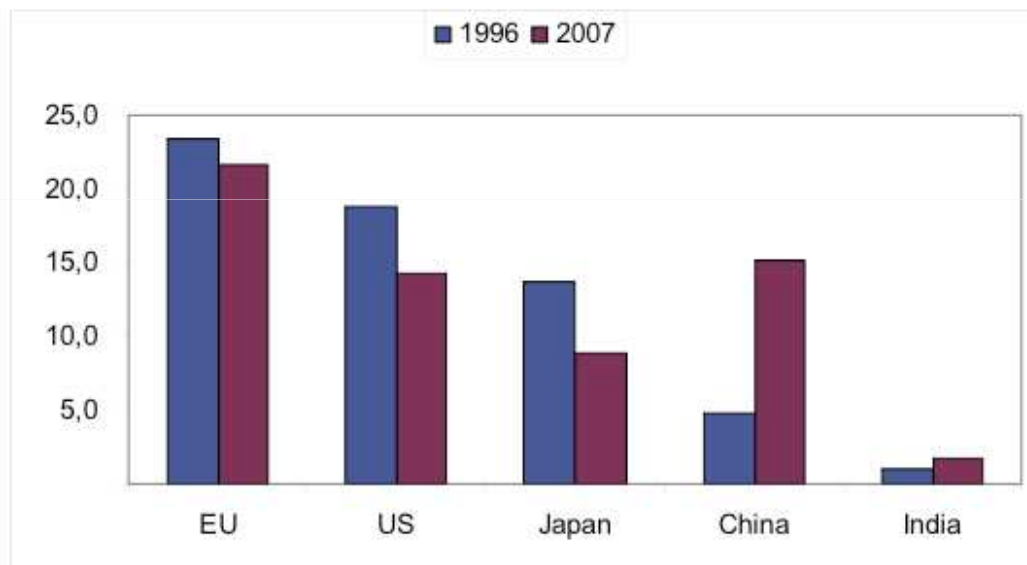
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- Our public finances are very severely affected: deficits at 7% GDP on average and debt levels at over 80%; 2 years wiped out 20 years of consolidation
- Our financial system still needs fixing: reduced bank lending is still holding back recovery
- Global competition is fierce: EU share of global exports is declining relative to China and India

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## Global competition is fierce

Export share (% world exports)



Source: European Commission

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### We must learn the lessons

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- Our economies are interdependent: up to 70% of car components for each car produced in the EU come from other Member States; overall, for € 1000 of growth in a Member State, around € 200 goes to other Member States via intra-EU trade
- In the crisis, the need for coordination became obvious; it is even more crucial for our recovery: decisions taken in one Member State impact the others
- The EU adds value: we should build on our strengths - the internal market, the euro - and on our leadership in the G20

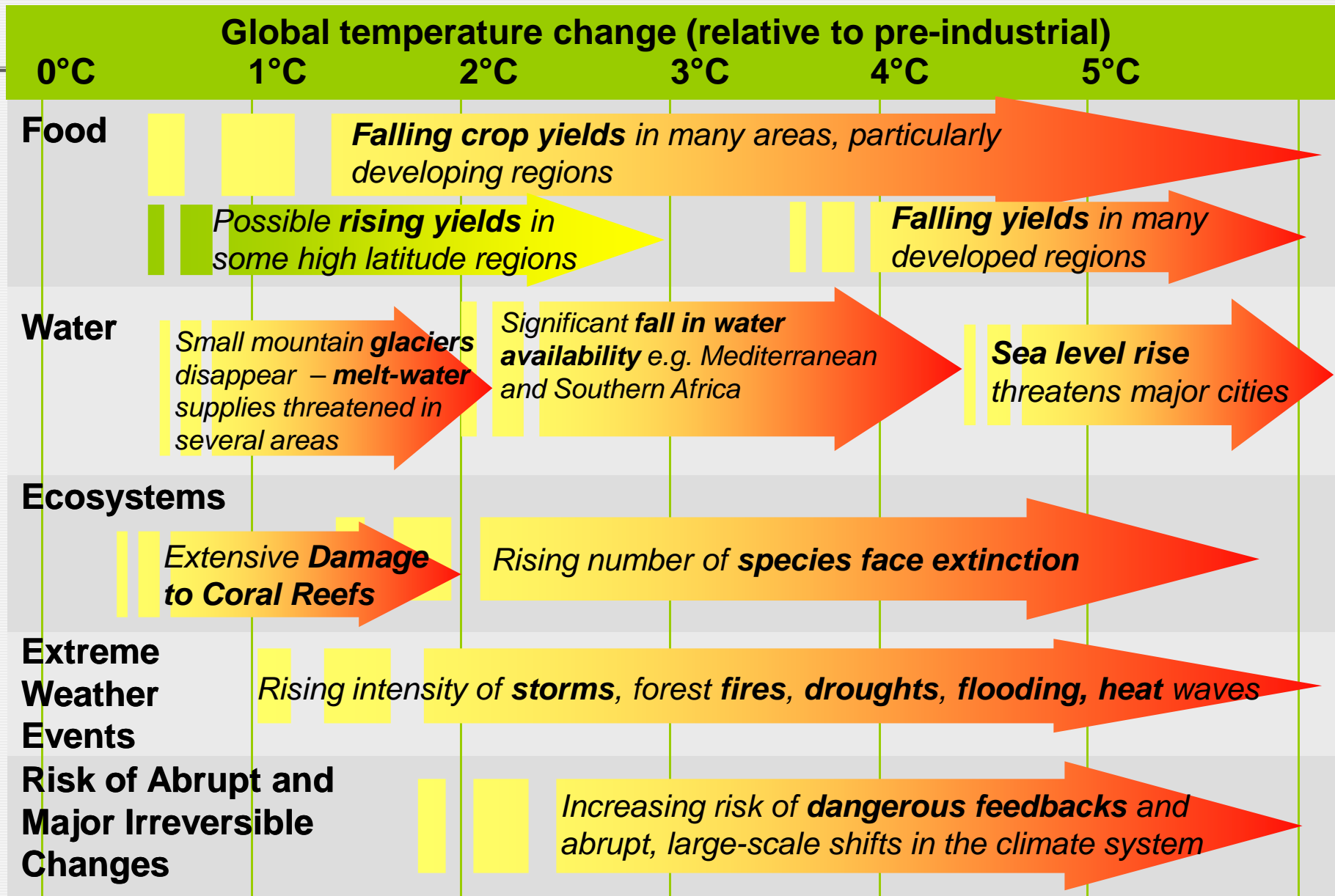
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# **Climate Change**

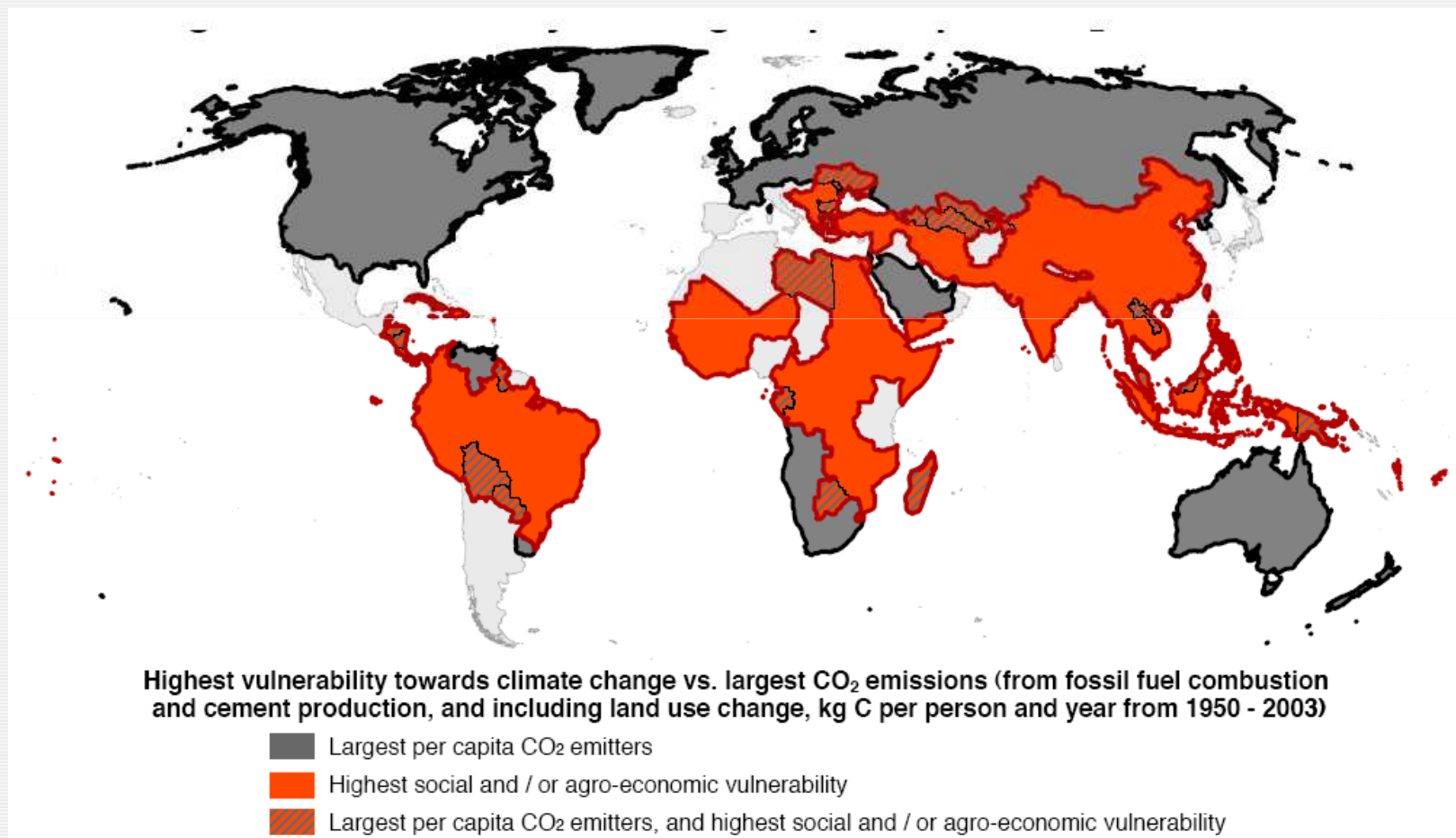
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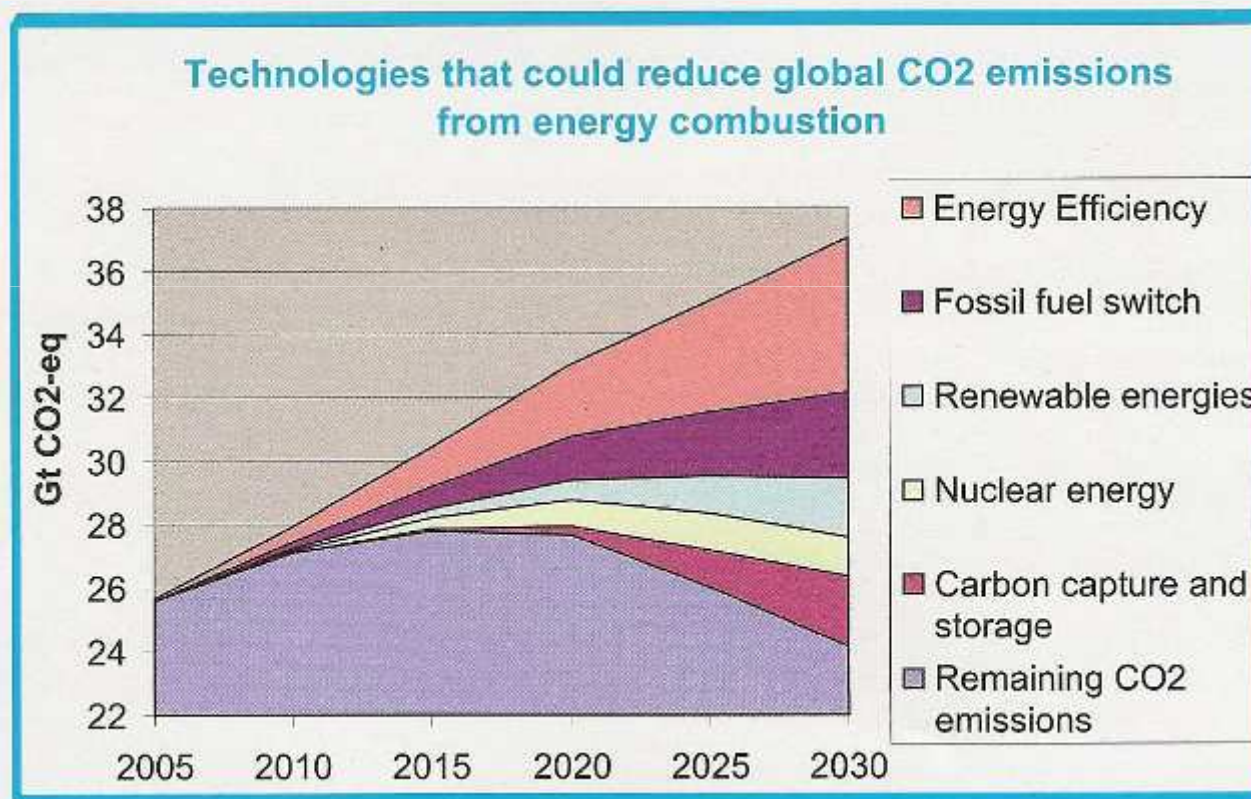
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### The Moral Dilemma



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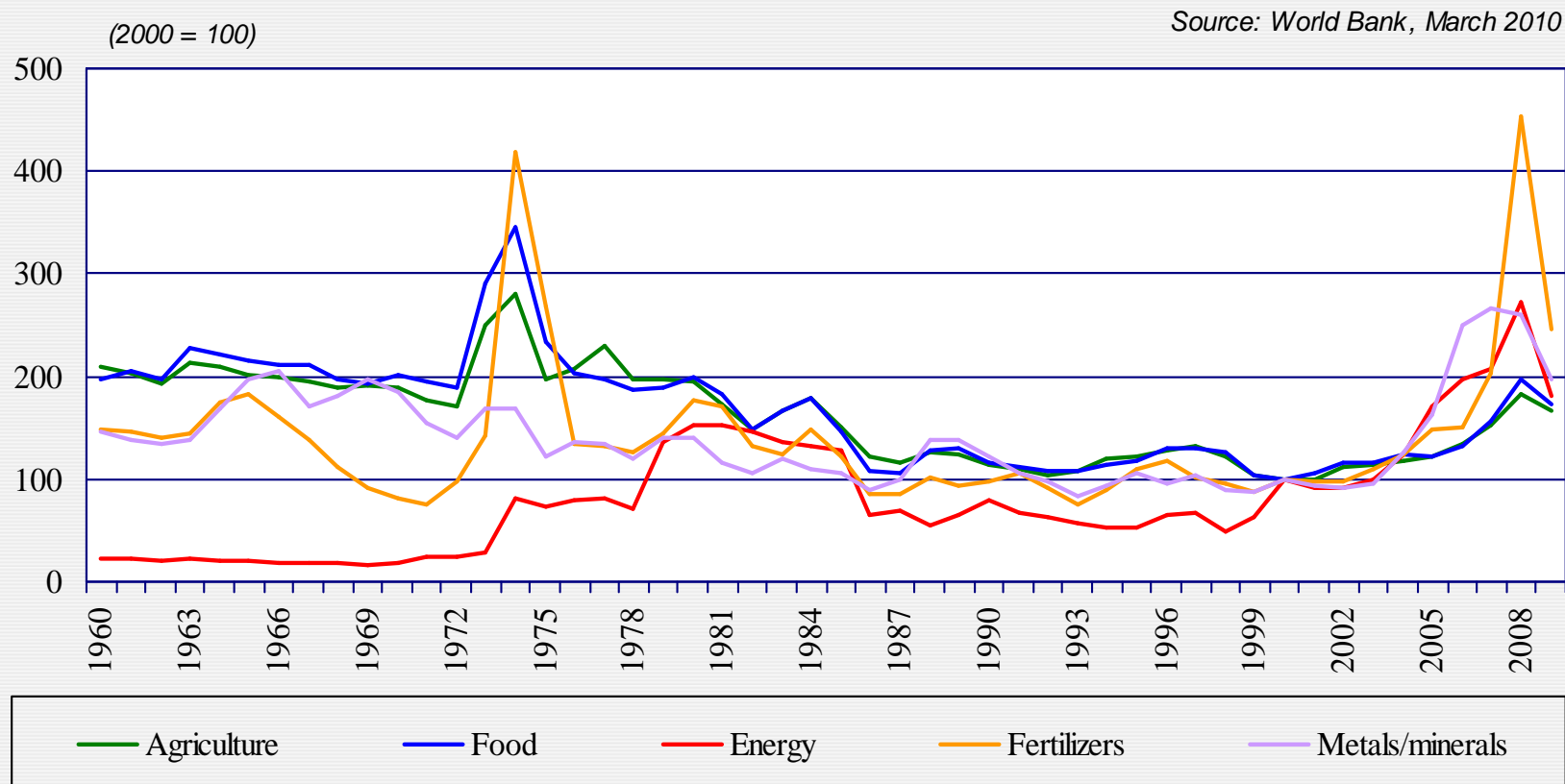
## Technologies to Reduce Global CO<sub>2</sub> Emissions



**Growing Market Volatility**

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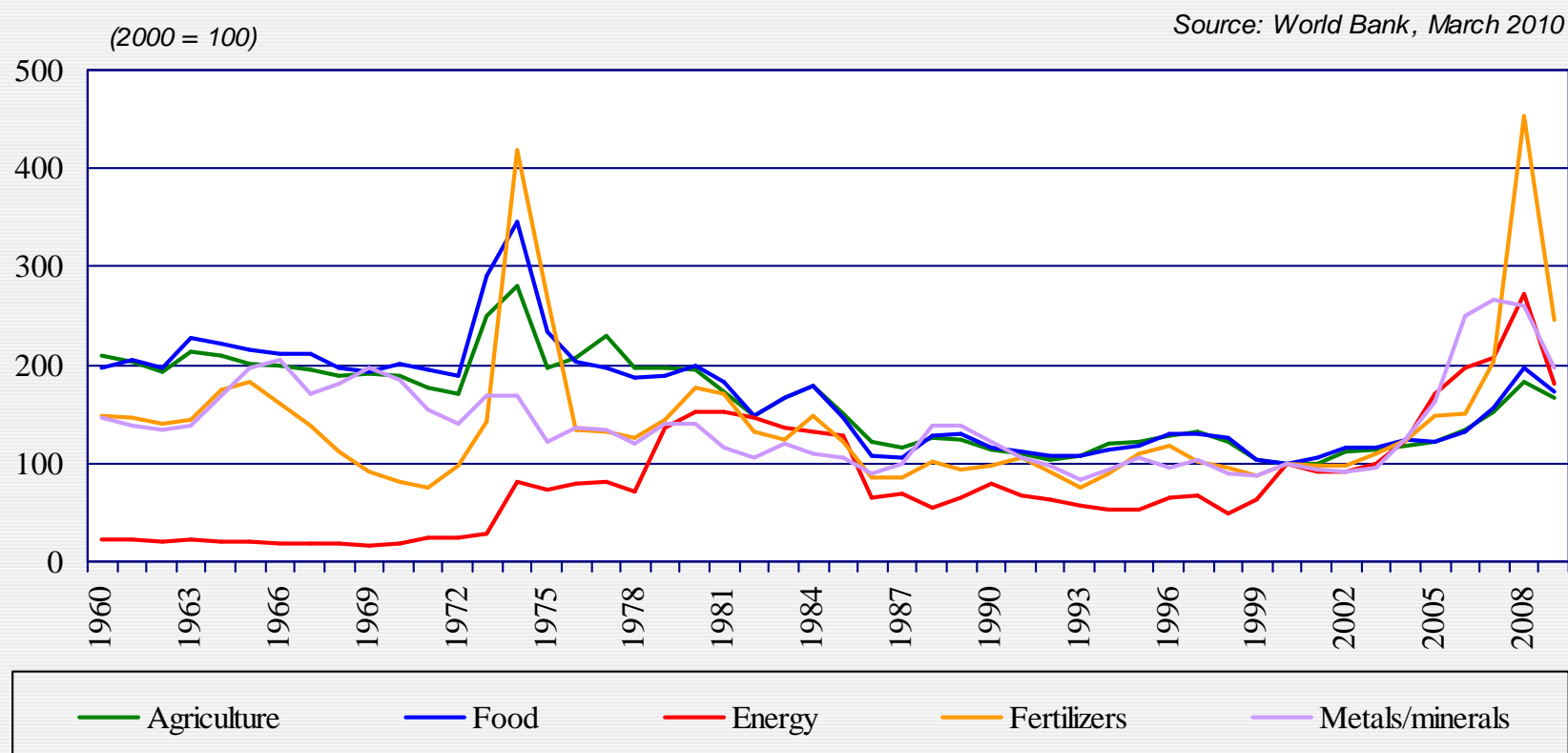
## Evolution of commodity price indexes (1960-2009)



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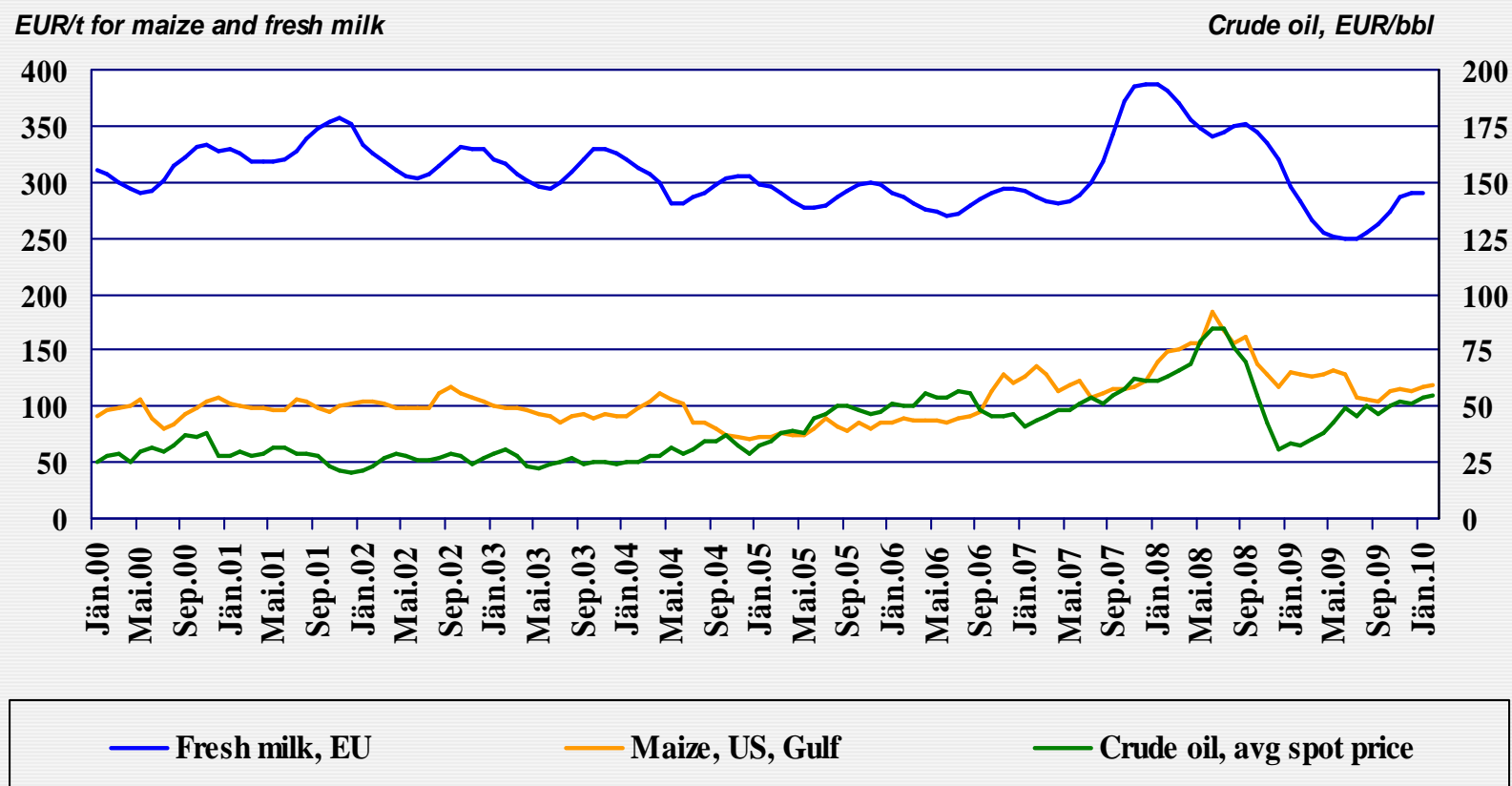
## Evolution of commodity price indexes (1960-2009)



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## Recent trends in some commodity market prices

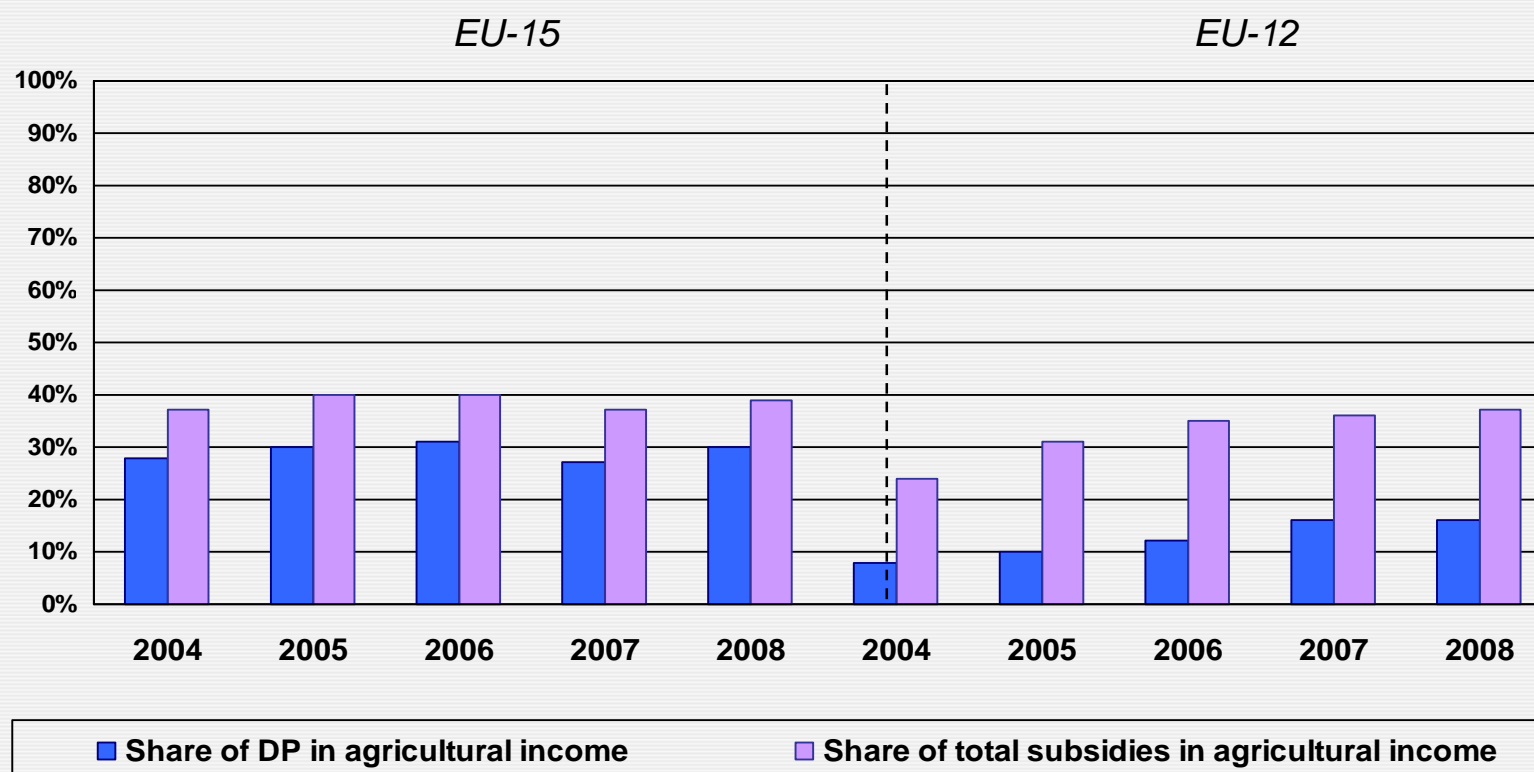


Sources: European Commission - DG Agriculture and Rural Development and World Bank

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### Share of DP and total subsidies in agricultural income



Source: European Commission – DG Agriculture and Rural Development

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**Rural Zones:  
The Losers of Globalisation?**

## Effects of Globalisation

- Globalisation supports the move of production, capital and people towards the most competitive regions
- Globalisation favours concentration and urbanisation

## Rural Depression

- Lack of Jobs
- Less advanced infrastructure
- Shortages in public services
- Not enough private investment
- Lack of entrepreneurship
- Outmigration
- Overaged population
- Problems with farm succession
- Frustration and depression

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**How to deal with these challenges, so...**



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**... or so?**

...or maybe so?

