

EXPORT SUBSIDIES:

Detrimental to Developing Country Exports

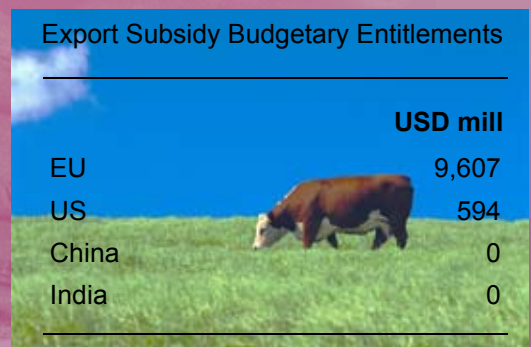
“We agree to ensure the parallel elimination of all forms of export subsidies and disciplines on all export measures with equivalent effect to be completed by the end of 2013”

WTO Hong Kong Ministerial Declaration, December 2005

- Export subsidies are a highly trade distorting, direct form of agricultural support.
 - the reintroduction of EU and US export subsidies for dairy in 2009 emphasises that this remains a major issue in the global trading system.
- Export subsidies were banned on industrial products in the 1950s.
- Eliminating all forms of agriculture export subsidies would make a major contribution to agricultural trade reform, and
 - significantly improve trade opportunities and economic growth for developing countries.
- Rules covering other forms of export measures are also important to ensure countries do not redirect their agricultural support by subsidising export finance and food aid in ways that distort trade.

Export subsidies can only be used by few members

- Only 25 members are entitled to use export subsidies.
- Combined, the European Union and the United States are entitled to provide around US\$10 billion in export subsidies per year. The EU provided a total of around USD16 billion in export subsidies during 2001-05, mainly for dairy, sugar and beef exports.



	USD mill
EU	9,607
US	594
China	0
India	0

Impact of export subsidies

- Export subsidies penalise efficient agricultural producers who do not have access to subsidies.
- Export subsidies provide an incentive to over-produce and to dispose surplus production on the world market
 - this drives down world prices and limits opportunities for efficient producers, notably those in developing countries, to compete in export and local markets.
- Use of export subsidies is concentrated on a few products: dairy, sugar, beef, fruit and vegetables, rice, wheat and coarse grains. These are often the products which developing countries could produce and export more efficiently.

Why all forms of export subsidies should be eliminated

In addition to direct export subsidies, there are other types of export measures that have the potential to distort trade. The Hong Kong 2005 Declaration and the 2004 July Framework provided for the elimination of export subsidies by the end of 2013 and outlined the parameters for disciplines on these other export measures:

Export Finance: Subsidised export finance is often used by (mainly developed) countries to artificially improve the price competitiveness of their exports. This may displace efficient global producers and traders. The US makes available export credit guarantees worth USD5.5 billion each year, under generous repayment terms.

Food Aid: Food aid provides relief during emergencies and can address chronic hunger and food insecurity. Food aid, however, can be used as a disguised form of commercial activity or used to dispose of surpluses. This can damage local production and retard trade and development for the recipient country.

State Trading Enterprises (STEs): Special privileges granted to enterprises (not necessarily monopolies) by governments have the potential to distort trade. Such privileges include the underwriting of losses, antitrust exemption provisions, tax provisions (e.g. tax exemptions/minimisation), interest rate concessions and preferential access to foreign exchange.

Concluding the Doha Round could deliver:

- Permanent elimination of export subsidies
 - agricultural exporters would be able to compete on the price and quality of their produce and not on the availability of export subsidies.
- Governments will not be able to offer overly-generous preferential finance to compete with other exporters. Government-supported export finance will be disciplined, in line with commercially-viable practices.
- Development-friendly food aid and emergency food aid will still be a major focus of any international response to humanitarian needs, but new disciplines, including on monetisation and re-export of food donations, will limit the potential for Members to dump surplus product on the world market in the guise of food aid. Food aid would not be linked to the market development objectives of the donor country.
- Activities of agricultural exporting STEs would be disciplined, including the elimination of all forms of export subsidies such as government financing, underwriting of losses etc.

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