

## **Export Competition (further commitments)**

### **Specific Input : Cairns Group Negotiating Proposal on Export Competition**

The Doha Declaration calls for reductions of, with a view to phasing out, all forms of export subsidies. While Members have identified a number of issues relevant to export competition, and the Cairns Group is ready to work on all fronts, export subsidies, export credits and food aid are central to export competition disciplines. This proposal addresses these three elements.

#### **Export Subsidies**

Taking into account that from 2004, agricultural export subsidies will no longer be exempt from actions based on Article XVI of GATT 1994 or Articles 3, 5 and 6 of the Agreement on Subsidies and Countervailing Measures, the Cairns Group makes the following proposals on export subsidies.

#### **Policy coverage of further commitments**

Retain the existing policy coverage in relation to further commitments - i.e. Article 9.1 of the Agreement on Agriculture.

#### **Product specificity of commitments/base levels**

Since export subsidies will be phased out quickly, existing product groupings, base period, definitions, etc. can be retained as per Part IV Section II of members' Schedules. Budgetary outlay and quantity commitments will be reduced from final bound commitment levels for developed and developing Members.

#### **Formula/targets for further commitments**

Members agree to make a downpayment by cutting their annual export subsidy entitlements by 50% on the first day of the implementation period of a new agreement.

For developed countries the downpayment will be followed by 3 equal annual reductions leading to elimination and prohibition after three years.

For developing countries, and as part of S&D provisions, the downpayment will be followed by 6 equal annual reductions leading to elimination and prohibition of export subsidies after 6 years.

The objective is the complete elimination and prohibition of export subsidies.

#### **Implementation period**

3 years for developed country members and 6 years for developing country members.

## **Special and Differential Treatment**

In terms of **S&D provisions** there should be a longer implementation timeframe for developing countries and a continuation of existing S&D treatment for developing countries under Article 9.4 of the Agreement on Agriculture until the elimination of export subsidies.

### **Other issues**

The prohibition on use of export subsidies for non-scheduled product groups must be maintained.

In terms of transparency/notification requirements the current system of notification requirements shall be maintained through to the final phase-out of export subsidies.

## **Export Credits, Export Credit Guarantees or Insurance Programs**

The following disciplines shall be applied from the first day of implementation of this agreement.

### **Measures to be covered, *inter alia***

The measures to be covered are any export credit transaction in which the government (at a national or sub national level) undertakes some or all of the credit risk or cost of providing credit, including but not limited to financing, interest rate support and export credit insurance and guarantees. These transactions will be deemed to be officially supported export credits.

### **Providers of support to which disciplines would be applicable**

All officially supported export credit transactions carried out by and/or extended to all actors with no exceptions, including but not limited to support granted by national and sub-national governments, their agencies totally or partially controlled by them or by bodies outside the government acting under a governmental mandate, fulfilling a government mandate, or due to delegation of governmental powers.

### **Disciplines (Maximum/minimum terms/conditions that may be provided or supported)**

All officially supported export credits, credit guarantees or insurance programs not complying with any of the terms or conditions shall be prohibited.

Disciplines of officially supported export credits, guarantees and insurance programs shall not allow Members to increase their Uruguay Round export subsidy commitments.

### **Maximum Repayment Terms**

Repayment terms of principal and interest shall not exceed 180 days in order to be as close as possible to commercial terms, except in the case where officially supported export credit is for agricultural capital goods (i.e. breeding animals and agriculture and vegetable reproductive materials), for which longer time frames may be necessary, but in no case exceeding three years. Repayment terms are the most important in terms of providing scope for subsidising export credits.

#### Minimum Insurance Premium

Premiums shall be charged for officially supported export credit programs and should be risk-based and sufficient to cover operating costs and risks over a period to be determined. An approach will need to be developed on how these criteria would be met.

Interest Rate - to be defined.

#### Risk Sharing

Officially supported export credit granted by one, or more, WTO Members, should only cover up to a certain percentage of the value of the transaction (to be negotiated).

#### Repayment of principal

In the case of agricultural capital goods where repayment terms exceed 180 days then payments shall not only cover interest charges, but also repayment of principal.

#### Starting-point of credit

The starting point for the export credit shall be the date of arrival in the recipient country of the goods exported and financed with the export credit.

#### Ending date of credit

The ending date of the export credit shall be the date of payment by the debtor of the last installment of the export credit - both principal and interest.

#### Validity period for export credits

The terms and conditions of officially supported export credits made available to exporters or importers shall have a maximum validity period of .....months.

#### **Special and differential treatment**

The Ministerial Decision on Measures Concerning the Possible Negative Effects of the Reform Program on Least-Developed and Net Food-Importing Developing Countries calls for any agreement relating to agricultural export credits to make appropriate provision for differential treatment in favour of least developed and net food importing developing countries. This commitment could be achieved by making appropriate provisions in the various elements of the disciplines that would be helpful to least developed and net food-importing developing countries without undermining

the overall effectiveness of the disciplines. The Cairns Group will submit a more detailed view on this matter, including circumstances, coverage, procedures and transparency provisions.

The Cairns Group will submit S&D treatment provisions for exporting developing country providers to all markets, including in relation to maximum repayment terms for credit.

### **Transparency/notification requirements**

Specific notification requirements shall be established to ensure that WTO Members can satisfy themselves that export credit disciplines are being fully respected and not used to circumvent export subsidy commitments. Notification requirements should therefore be developed on the basis of agreed disciplines and rules. Transparency provisions may include prior notification of program parameters, regular reporting and monitoring by the Committee on Agriculture.

### **Food Aid**

Strengthened rules and disciplines on providers of food aid are required to ensure that disposal of food surpluses as food aid are not used to circumvent export subsidy disciplines and commitments, do not displace normal commercial imports nor act as a disincentive to domestic production in recipient countries, without reducing the availability of genuine food aid to meet humanitarian needs on a fully grant basis.

Rules governing the use of food aid must encourage the provision of food to meet humanitarian needs, while at the same time discipline surplus disposal that is in the guise of food aid. Food aid shall result in additional consumption that would otherwise not take place by focussing on populations that are not able to obtain food and should not therefore affect normal production and consumption patterns.

In strengthening the disciplines the WTO shall remain focussed only on the trade policy aspects of disposal of food surpluses in the guise of food aid, and work with bodies such as the FAO's Consultative Subcommittee on Surplus Disposal (CSSD) to mitigate the trade distorting impact of surplus disposal. Factual reports from the CSSD to the WTO on food aid transactions should be part of this cooperation, taking into account WTO competence in monitoring the fulfillment of commitments in its Agreements.

The Cairns Group proposes that CSSD members review, revise and tighten the "Principles of Surplus Disposal and Consultative Obligations" and the operations of the CSSD and encourages the FAO to provide greater resourcing to CSSD. The justification of donors providing monetised food aid rather than direct financial aid to developing countries needs to be examined carefully in the revised "Principles" in light of the impact it has on commercial markets, including local producers.

Closer cooperation and sharing of information with respect to food aid transactions not listed in the exempt category, below, shall be used to ensure that food aid is not used to circumvent export subsidy commitments.

The Cairns Group proposes the following changes to Article 10 of the Agreement on Agriculture. The changes are in capitals/bold print.

**"4. THE FOLLOWING INTERNATIONAL FOOD AID TRANSACTIONS SHALL BE DEEMED TO BE GENUINE FOOD AID THAT IS NOT SURPLUS DISPOSAL AND DOES NOT CIRCUMVENT EXPORT SUBSIDY DISCIPLINES:**

**(A) CASH FOOD AID PROVIDED IN RESPONSE TO APPEALS FROM THE UNITED NATIONS OR OTHER INTERNATIONAL OR REGIONAL AGENCIES;**

**(B) IN-KIND FOOD AID PROVIDED FOR EMERGENCIES IN RESPONSE TO APPEALS FROM THE UNITED NATIONS OR OTHER INTERNATIONAL OR REGIONAL AGENCIES;**

**(C) PROJECT OR PROGRAM FOOD AID PROVIDED THROUGH THE WORLD FOOD PROGRAM OR OTHER INTERNATIONAL OR REGIONAL AGENCIES; AND**

**(D) FOOD AID PROVIDED IN CASH WITHOUT REQUIRING TO BE PURCHASED FROM THE DONOR COUNTRY (I.E. CASH FOOD AID, NOT IN-KIND FOOD AID).**

5. Members donors of international food aid shall ensure :

(a) that the provision of international food aid is not tied directly or indirectly to commercial exports of ~~agricultural products or other~~ **GOODS or SERVICES** to recipient countries;

(b) that international food aid transactions shall be carried out in accordance with the FAO "Principles of Surplus Disposal and Consultative Obligations", including, where appropriate, the system of Usual Marketing Requirements (UMRs). **IN CONSULTATION WITH THE FOOD AND AGRICULTURE ORGANISATION (FAO)-CONSULTATIVE SUB-COMMITTEE ON SURPLUS DISPOSAL (CSSD), THE COMMITTEE ON AGRICULTURE SHALL BE ISSUED COPIES OF CSSD DOCUMENTS IN ORDER TO BE INFORMED ON A REGULAR BASIS OF OBJECTIONS TO FOOD AID TRANSACTIONS IN THE CSSD; and**

**(C) [*The Cairns Group reserves the right to table a provision to further strengthen Article 10.4(c) in the current Agreement on Agriculture*];**

**(D) THAT RECIPIENT COUNTRIES AGREE THAT INTERNATIONAL FOOD AID IS NOT RE-EXPORTED IN ANY FORM; AND**

**(E) THAT THE PROGRAMS OR POLICY PARAMETERS OF FOOD AID PROGRAMS ARE NOTIFIED ANNUALLY TO THE COMMITTEE ON AGRICULTURE OF THE WTO. FOOD AID TRANSACTIONS SHALL ALSO BE NOTIFIED ANNUALLY TO THE COMMITTEE ON AGRICULTURE COVERING THE RECIPIENT, THE CHANNEL AND TYPE OF FOOD AID, THE TYPE OF PRODUCT, AMOUNT SHIPPED, SOURCE OF PRODUCT AND MONTH OF SHIPMENT.**

**6. ANY OPERATION THAT DOES NOT COMPLY WITH ANY PROVISION OF PARAS 4 AND 5 OF ARTICLE 10 SHALL BE PROHIBITED."**