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Page: 1/8

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ANNUAL EXPORT COMPETITION REVIEW

SUBMISSION FROM THE CAIRNS GROUP TO THE 74TH MEETING OF THE COMMITTEE ON AGRICULTURE (COA) IN JUNE 2014

The following communication, received on 28 May 2014, is being circulated at the request of the the Cairns Group.

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At the 9th WTO Ministerial Conference (MC9) Ministers adopted the Declaration on Export Competition (WT/MIN(13)/40). Amongst other things, this established annual dedicated discussions in the Committee on Agriculture (CoA) in support of the reform process, and more specifically in furtherance of the final objective set out in the 2005 Hong Kong Ministerial Declaration i.e. the parallel elimination of all forms of export subsidies and disciplines on all export measures with equivalent effect.

On 21 May 2014 the Secretariat circulated document G/AG/W/125 on "Export Subsidies, export credits, export credit guarantees or insurance programmes, international food aid and STEs" (hereafter "the report") pursuant to the Ministerial Declaration.

The Cairns Group welcomes the report as an important contribution to the dedicated annual discussions in the CoA to examine developments in the field of export competition. We support the analytical approach taken by the Secretariat and we will reflect on possible improvements to the approach and the supporting questionnaire following the discussions at the 74th CoA meeting.

The Cairns Group supplements the report with some key conclusions drawn from the analysis. These include considering the alignment of Members' policies with the latest revised draft modalities for agriculture (TN/AG/W/4/Rev.4) given that they were considered by Ministers at MC9 as remaining an important basis for an ambitious final agreement in the export competition pillar.

1 EXPORT SUBSIDIES

1.1. Export subsidy use at an aggregate and individual Member level has dramatically decreased, and in some cases has been discontinued, in the period since 1995 when notifications became mandatory as part of the Uruguay Round. Exceptions to this are Canada, Norway and Switzerland.

1.2. While this overall trend may be a result of high world commodity prices, it is also the case that some WTO Members have taken positive steps to reduce their export subsidy use. For example, under the 2014 Farm Bill the United States of America repealed the Dairy Export Incentive Program (DEIP). In addition, Norway has discontinued the use of export subsidies for several products and the EU's Common Agricultural Policy, adopted in December 2013, stated that export subsidies may only be used as an "exceptional measure". The EU Commissioner for Agriculture and Rural Development since announced plans to entirely eliminate export subsidies in the framework of preferential partnership agreements with African countries.[1]

[1] A modern farming sector, producing in line with society's expectations. European Commission - SPEECH/14/33, 16/01/2014. Accessed 23 May 2014 at http://europa.eu/rapid/press-release_SPEECH-14-33_en.htm.

1.3. Of the 18 Members[2] that had scheduled export subsidy reduction commitments, nine have notified zero use of export subsidies since the Doha Round of WTO negotiations started in 2001: Australia, Brazil, Colombia, Iceland, Indonesia, Mexico, New Zealand, South Africa and Uruguay.

1.4. Of the remaining Members with scheduled reduction commitments, seven have notified recent use of export subsidies: Canada, the European Union, Israel, Norway, Switzerland–Liechtenstein and the United States of America (Table 1). Many of the Members that are currently using export subsidies are doing so on a small proportion of their scheduled product lines and utilising a low percentage of their available export subsidy budgetary allowance. The types of products for which export subsidies have been notified include dairy products, wheat and wheat flour, coarse grains, beef meat, pig meat, poultry, eggs and incorporated products. The highest total spending in absolute numbers and in terms of percentage of total budgetary outlay commitments appears to be on dairy products, poultry meat and incorporated products.

1.5. Clear conclusions can be drawn regarding the extent to which Members' export subsidies policies and expenditure align with the final objective of the full elimination of export subsidies. This is due to Members' notifications and the supplementary information provided in response to the Secretariat's questionnaire. With the exception of a few Members, export subsidy use has fallen to zero and where this is not the case there are some reports of steps being taken to reduce their use.

1.6. The Secretariat's report and Cairns Group conclusions herein are based on the information that Members have provided or notified on their export subsidy use in relation to their scheduled commitments. This does not fully capture all export subsidies such as those not covered by budgetary expenditure, and export subsidies purportedly made under Article 9.4 of the Agreement on Agriculture. Future Secretariat reporting of such subsidies may reveal additional spending patterns by Members and/or products.

[2] Counting all European Union Members with export subsidy commitments as one.

Table 1 Export subsidy outlay details by Member

Member	Sum of budgetary outlay (US$ thousand)[3]	Date of latest information[4]	Total notified budgetary outlays as % total commitments	Budgetary outlay as % product level commitments[5]
European Union	US$ 187,761	2011	2%	– Wheat and wheat flour, coarse grains, butter and butter oil, skim milk powder, cheese, other milk products, beef meat (2%), pig meat (6%), poultry meat (43%), eggs (3%), incorporated products (2%)
Canada	US$ 89,174	2011	21%	– Butter, skim milk powder (100%), cheese (89%), other milk products (99%), incorporated products (100%)
Switzerland-Liechtenstein	US$ 85,923	2011	17%	– Milk products, cattle for breeding and racehorses, fruits, potatoes, processed agricultural products (66%)
Norway	US$ 35,407	2012	47%	– Swine meat (70%) eggs and egg products (100%), butter, cheese (52%), processed agricultural products (70%).
Israel	US$ 798	2012	2%	– Fresh flowers (1%), fruit other than citrus (10%), fresh vegetables (3%), citrus fruits
United States of America	0	2010	0%	– Butter and butter oil, skim milk powder, cheese

[3] Conversions to US$ from other currencies are based on the IMF's average annual real exchange rates as reproduced in the USDA ERS exchange rate data sets, available at http://www.ers.usda.gov/data-products/agricultural-exchange-rate-data-set.aspx#.UvusFP0xIpE.

[4] The report contains more recent data than the notifications of Canada and the United States which cover 2010 and 2008 respectively.

[5] Products listed have been the subject of notified export subsidies since 2004. Where percentage is not specified against the product, the outlay at the most recent notification was 0.

1.7. Room for improvement remains in Members notification performance (Table 2), with the most dated being Venezuela (1998), Turkey (2000), Panama (2003), Mexico (2007) and Iceland (2008).

Table 2 Members' most recent export subsidy notifications vary from 1998 to 2012[6]

Member	Year last notified for
New Zealand	2013
Australia	2012
Brazil	2012
Israel	2012
Norway	2012
Uruguay	2012
European Union	2011
Indonesia	2011
Switzerland–Liechtenstein	2011
Canada	2010
Colombia	2010
South Africa	2010
United States of America	2010
Iceland	2008
Mexico	2007
Panama	2003
Turkey	2000
Venezuela, Bolivarian Republic of	1998

2 EXPORT FINANCING SUPPORT

2.1. Thirty one Members replied to the questionnaire on export credits, export credit guarantees and insurance programmes ("export financing support") provided by Members for the export of agricultural products. Of those, 19 replied that they provided no export financing support and 12 provided replies with information on their export financing support programmes. Nevertheless, some observations can be made on the relatively small sample of Members that reported information.

2.2. Of the four types of export financing support mentioned in the Rev.4 modalities, risk cover (comprising export credit insurance or reinsurance and export credit guarantees) is the most common form of such support to agricultural goods. Of the 25 types of programmes in the sample, 17 (68%) fall within the category of risk cover and 9 out of 12 (75%) Members reported having such programmes. On average, around 80% of agricultural exports that receive export financing are supported by some type of risk cover. Of those, 90% are exported by the United States by means of credit guarantee which means that its programme shapes the whole sample.

2.3. The second most used kind of programme within the sample is direct financing support (comprising direct credits/financing, refinancing, and interest rate support). Brazil, Canada, the European Union, Malaysia and Viet Nam (42%) provide at least one type of direct financing support and six types of programmes were reported in total. This number could be higher if more disaggregated information from the European Union is obtained.

2.4. Clear conclusions cannot be drawn on the alignment of Members' export financing programmes with the Rev.4 modalities, mostly because most Members did not provide information on whether the programmes are self-financing, one of the conditions established by the modalities. The report suggests up to four exceptions. New Zealand stated clearly that its programme covers all operating costs and expected losses. Canada mentioned that its official Export Credit agency is self-financing and Australia reported the EFIC to be self-funded. The United States reported that

[6] As of 23 May 2014, as reported in G/AG/GEN/86/Rev.18.

its programme must cover the operating costs and losses of the programme "over the long term" (but not over a four year rolling period as required by the modalities). Given that detailed information on self-financing was not specifically requested, this is an aspect that could be improved in the Secretariat's next questionnaire on export competition. In that context, it would be useful to have more concrete information on whether and how operating costs and losses are covered and over what period.

2.5. More than half of the programmes reported have a repayment term that exceeds the 180 days maximum repayment term set out in the Rev.4 modalities. This includes the Export Credit Guarantee Programme of the United States (GSM-102), which finances the greatest share of agricultural exports in the sample. On the positive side however, 18 of the 25 types of programmes reported have an average repayment term of 180 days or less. This last conclusion should be treated with caution though, given that the European Union reported a general average repayment term of 60 days to one year for programmes provided by 15 institutions, and the United States reported an average repayment term of 23 months. Ensuring that information is provided at individual programme level could be helpful as well.

2.6. The export destination or group of destinations of Members' programmes varies greatly without a clear pattern across them, if each programme is given equal weight. However, from an exports-weighted point of view, at least around 70% of financed agricultural goods are exported from a developed to a developing country.

2.7. Moreover, export financing programmes reported by Members support exports of a large variety of basic and processed agricultural goods. Of those, wheat, wheat flour, oilseed and oilcakes appear to be products that received the most substantial export financial support in 2013.

2.8. The level of detail reported by Members in their questionnaire responses varies greatly, with some providing detailed and precise responses and others very general information and/or aggregated data. Also, while some Members made an effort to reply to all questions, others simply left questions unanswered. This is not related to the level of development of the responding Member. The European Union provided only summary information of export financing within its Member States at a high level of aggregation. In this regard, while it is appreciated that some Members replied with a meaningful level of disaggregation, there is much room for improvement for the Secretariat's next report on export competition.

2.9. Finally, there is also some inconsistency in responses compared to the Secretariat's 2013 report (TN/AG/S/27/Rev.1). For example the European Union reported EUR 171.226m in total exports subject to export finance support in 2012, yet now reports "...at least 500 million Euros annually in the most recent years." Overall, across the responses there is lack of consistency in terms of the format of responses rendering comparability and analysis more difficult.

3 AGRICULTURAL EXPORTING STATE TRADING ENTERPRISES

3.1. Twenty Members notified or reported in their reply to the Secretariat's questionnaire a total of 77 agricultural exporting STEs covering a wide range of agriculture products. A further 20 Members also reported in their reply to the Secretariat's questionnaire that they did not have any agricultural exporting STEs. A positive transparency development was that new and updated information was reported on agricultural exporting STEs by several Members as compared to current STE notifications.

3.2. China (25), Colombia (14) and India (14) reported by far the most agriculture exporting STEs, accounting for 69% of the total reported number by all Members. The distribution by product grouping shows a similar concentration with two product categories (fruits and vegetables, and tobacco) accounting for 45% of the reported agriculture exporting STEs. The next most numerous product category was "wheat and wheat flour, coarse grains and rice" with five such STEs reported.

3.3. Only six of the 20 Members (Australia, Costa Rica, Israel, Republic of Moldova, New Zealand and Ukraine) responded to the section of the questionnaire requesting information on export values, prices and destinations. Notwithstanding the fact the responses may have been limited by commercial confidentiality considerations, these Members account for just eight STEs (10% of those reported), making it nearly impossible to assess the overall influence of agriculture exporting STEs on global markets. Where such information is provided, export volumes and values generally (but not always) appear small relative to overall global trade in the products in question.

3.4. China reports that STEs for tea and silk were abolished in 2005 and that it has not applied state trading for soybeans since acceding to the WTO in 2001. Canada reports that the Canadian wheat board no longer has exclusive control over marketing of any grain. It is in a transition period that may last up to five years, until no later than 31 July 2017, during which it will continue to receive government borrowing guarantees, and have its pool payment levels guaranteed by the government. Ecuador, Indonesia, Israel and Ukraine each reported the establishment of a new agriculture export STE (or marketing boards in the case of Israel) since 2001.

3.5. Of the four developed countries that reported agriculture exporting STEs (one each in Australia, Canada, New Zealand and Ukraine), those in Australia, New Zealand and Ukraine appear to have export monopoly powers. Of the 74 agriculture exporting STEs reported by 16 developing countries, several appear to have export monopoly powers or other special privileges. The report does not however contain sufficiently detailed trade statistics to determine whether these STEs would meet the Rev.4 modalities general *de minimis* criteria (Annex K footnote 5). Similarly, while many of the developing country STEs would likely meet the Rev.4 modalities special and differential treatment criteria (Annex K paragraphs 4-6), in most cases more information would be required to make a complete assessment, particularly with respect to paragraph 6.

4 INTERNATIONAL FOOD AID

4.1. Of the 14 Members that reported the details of their current food aid programmes, the programmes of just over half already appear to be broadly consistent with Annex L of the Rev.4 modalities (Table 3).

4.2. Based on the sample, at least six Members (Australia, Canada, the European Union, New Zealand, Switzerland and the United States of America) provide untied cash based food aid (Annex L, paragraph 4). In fact, in the sample, the majority of food aid provided is cash based. Where Members provide 'in kind' food aid a majority of Members in the sample (Brazil, China, Japan, South Africa, Thailand and the United States of America) have provided aid to the World Food Programme or in response to emergency situations (Annex L paragraphs 3 and 6).

4.3. However the information provided by some Members on food aid is incomplete and makes it difficult to analyse their compliance with existing obligations under the AoA. This also makes comparison with the Rev.4 modalities difficult. Furthermore, numerous Members who provide food aid have not responded at all.

4.4. Three Members (China, Japan and the United States of America) explicitly permit the practice of monetisation in circumstances that are not emergency situations or where the beneficiary is not an LDC (Annex L paragraph 8).

Table 3 Overview of Members' food aid programmes

Member	Is aid provided on a cash basis?[7]	Is aid provided "in-kind" i.e. actual commodities?	If aid is provided "in kind" is it provided to the WFP, relevant international organisation or in response to an emergency?	Is the aid provided in fully grant form (not tied)?	Is monetization of the aid provided prohibited?
Australia	Yes - $A 570 million in FY 2012/13	No	N/A	Yes	Yes
Brazil	No	Yes – US$ 8.842 million of rice and US$ 209,331 of beans[8]	Yes to the WFP	Yes	Yes
Canada	Yes - 360,265 tonnes of commodities purchased	No	No	Yes	Yes
Cuba	No	Yes - 2,500 tonnes of sugar	Not specified[9]	Not specified	Not specified
China	No	Yes - RMB 533 million of food aid	In part - a portion of aid was provided to the WFP	Yes	No
European Union	Yes - 405,000 tonnes equivalent of cash based aid provided, one quarter in wheat purchases	No	N/A	Yes	Yes
Japan	Unclear	Yes - 10 billion Yen	In part - a portion of aid provided through WFP	Yes	No
New Zealand	Yes - $NZ 7million	No	N/A	Yes	Yes
Russian Federation	Yes US$ 50 million	No	N/A	Not specified	Not specified
South Africa	No	Yes - 100 tonnes of maize 2002	Yes - in response to emergency	Not specified	Not specified
Switzerland	Yes - 25,000 tonnes worth of cash grain equivalent	Yes – 3,144 tonnes of SMP and 96 tonnes of cheese	No	Yes	Yes
Thailand	No	Yes 500 tonnes	Yes - in response to emergency	Yes	Yes
United States of America	Yes – US$ 577 million	Yes US$ 694 million worth of commodities	A portion to the WFP and a portion in response to emergency situations	Yes	No
Viet Nam	No	Yes - 14,000 tonnes of rice	Not specified	Not specified	Not specified

[7] The information summarised here is only on the basis of submissions made to the export competition questionnaire and the information compiled in G/AG/W/125/Add.3.
[8] The value or volume of aid listed herein is taken from the last available year listed for the Member in document G/AG/W/125/Add.3.
[9] The phrase "not specified" means there is not a specific answer to the question for that Member in G/AG/W/125/Add.3.

4.5. As noted, most in-kind food aid reported is provided to the World Food Programme. Where in-kind food aid is not provided to the World Food Programme or is not otherwise for emergency situations it is not always clear from Members' responses whether they consider the extent to which the in-kind aid will have adverse effects on local markets and local production (Annex L paragraph 3).

4.6. To contemplate the extent to which some Members would need to make policy changes to fully align with Annex L it would be useful to have more information on the practice of monetisation (including the circumstances in which it is permitted, and what if any disciplines are imposed on its use by the Member). It would also be useful to have more information regarding the circumstances surrounding the provision of in-kind food aid, including on when it is not provided to an international organisation such as the World Food Programme in response to an emergency and whether or not any conditions are put on such aid.

5 CONCLUSIONS

5.1. While there are a number of gaps in Members' notifications and responses to the Secretariat questionnaire, the Secretariat's report provides Members with an informed view of the export competition landscape, in particular amongst most of the major exporters. We encourage Members to make further efforts to improve transparency, such as submitting overdue notifications of export subsidies (whether or not in relation to scheduled commitments) and submitting outstanding questionnaire responses. This includes providing nil responses where appropriate and, if necessary, providing information in the first instance that it is available. We appeal for such information as soon as possible, and in any case in advance of the 2015 annual CoA review, to enable an even more comprehensive understanding and to support MC10 where Ministers will review the export competition situation.

5.2. Despite some of the information gaps, the Secretariat's report reaffirms the fact that since the launch of the Doha Round there have been positive developments in the export competition pillar. In particular, export subsidy expenditure has fallen significantly and there are examples of individual Members' reforms in the other pillars. This generally positive trend however is not without exception as not all Members have reformed and some have introduced new export competition policies since the beginning of the Doha negotiations and in recent years.

5.3. This positive but mixed story demonstrates two key points. Firstly, judging by the reported policy settings, the Rev.4 modalities on export competition are doable. Secondly, the Rev.4 modalities on export competition are necessary because domestic reform is neither a guarantee nor a substitute for the elimination of all forms of export subsidies and disciplines on all export measures with equivalent effect through WTO reform. It is important that domestic reforms continue but it is essential that the Doha negotiation objectives on export competition be met without delay. The overall policy and price environment presents a valuable opportunity to deliver on this objective.

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