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INSIDE

The topmost decision making organ within the WTO is the ministerial conference. Members of the WTO, through their ministers, meet every two years to discuss the progress made in the negotiations towards removal of impediments to trade and make decisions on all matters affecting the multilateral trading system of its members. The 10th WTO Ministerial Conference was the first to be held in Africa, in Kenya. After Bali and follow up meetings in Geneva at the WTO special sessions. Several issues were to be addressed in Nairobi, these included: the elimination of agricultural export subsidies, how to handle public stockholding programmes under the domestic support, the application of special safeguard mechanisms (SSM) and removal of cotton subsidies

The Export Competition Outcomes At The World Trade Organization (WTO)

By Dr. Miriam Omolo

Introduction

Export competition is one of the pillars in agriculture negotiations at the World Trade Organization (WTO). There are four areas of focus under export competition:

(i) Export subsidies - these are government polices geared towards promoting exports in a country. It can be done through direct payments or tax relief on production of commodities designated for exports.

(ii) Export credits and export credit guarantees or insurance – the OECD defines exports as government financial support, direct financing, guarantees, insurance or interest rate support provided to foreign buyers to assist in the financing of the purchase of goods from national exporters.

(iii) Agricultural Exporting State Trading Enterprises (STE) - These are institutions established by government with the objective of using them as a means of achieving agricultural related policy objective for the country.

(iv) Food aid – this is the provision of food commodities by one country to another free of charge or at concessional rates.

Export Competition has been the subject of debate following the conclusion of the Uruguay Round. During this round, there were several agreements that were reached relating to agriculture negotiations. Under export competition, table 1 provides a summary of the Uruguay Round targets on export competition. Developed countries had six years within which to eliminate all forms of support under export competition, while developing countries had 10 years within which to reduce all forms of support under export competition. Developed countries were to reduce the value of their export subsidy by 36 percent while for the developing countries; the amount of reduction was to be 24 percent. The subsidized quantities would be reduced by 21/24 percent for developed /developing countries.

Table 1: Uruguay Round Targets for Export Competition Under the Agreement on Agriculture.

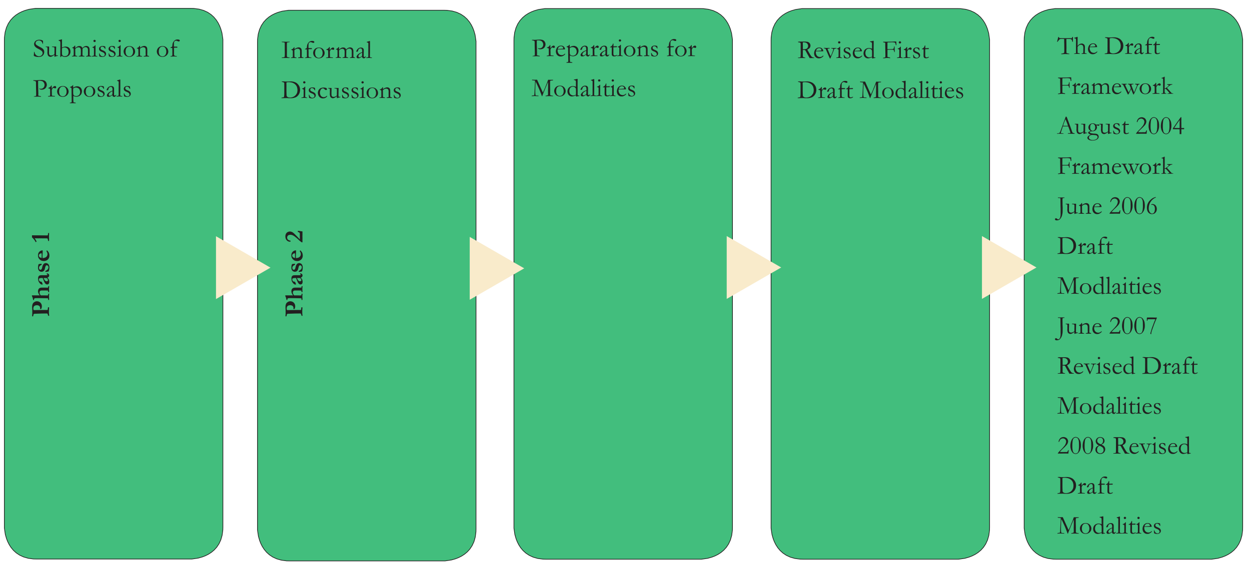
	Developed Countries (1995-2000)- 6 years	Developing Countries (1995-2004)- 10 years
Exports		
Value of subsidies	- 36%	- 24%
Subsidized quantities (base period: 1986-90)	- 21%	- 24%

Source: WTO

2.0 Export Competition Negotiations at the WTO

The Article 20 on the Agreement on Agriculture (AoA) sets out the framework of rules for the reduction of all forms of trade distorting support. Under article 20, members were expected to substantially reduce all forms of support and protection under agriculture. In order to achieve the targets set out in table 1, negotiations at the WTO have taken a series of steps (Figure 1). Export competition negotiations have been undertaken within this larger framework. Phase 1 took place from March 2000 to March 2001; there were a total of 29 proposals submitted on export competition, 10 of which were from African Countries.

Figure 1: Export Competition Negotiations Process at the WTO



Source: WTO

[1]https://stats.oecd.org/glossary/detail.asp? ID=909

The proposals made included removable of all forms of export subsidies, other members proposed that there should be substantive reduction of export subsidies as a form of commitment to the negotiations, there were not figures (values e.g. 70 percent) attached to the 'substantive' reductions. The Africa group advocated for substantial and gradual elimination of export subsidies, arguing, that export subsidies / export credits had the effect of undermining the viability of African agriculture and this deterred efforts to break away from poverty and underdevelopment. Secondly, local producers and agro-food processors would face much stiffer competition from competitors who heavily subsidized exports. India proposed that export subsidies should be eliminated within the first two years. As a down payment, India proposed that subsidies in outlays and volumes should be reduced by 50 percent from the levels maintained in the year 2000 for developed countries and 2001 for the developing countries.

Phase 2 was characterized more by informal discussion, which included a proposal for 50 percent reduction in export subsidies, after this developed countries would eliminate all forms of export subsidies 4 years, while developed countries would take 6 years. In the preparation for modalities, several proposals were made:

- 50% immediate reduction of export subsidies as a down payment,
- Elimination of export subsidies to zero in three years for developed countries, six for developing countries without the down payment option.
- Elimination of all exports subsidies to zero in five years
- "Modulation" in the elimination of export subsidies, implying moderating cuts some products, while having steeper cuts for other.

During the revised first draft modalities two approaches were proposed, first developed countries to eliminate subsidies in five years while developing countries eliminate their subsidies in ten years for a set of agricultural products. The second approach would be to eliminate subsidies in nine years for developed countries and twelve years for developing countries for the rest of the products. Special and differential treatment would be accorded to developing countries according to Article 9.4 for subsidies to support marketing, handling, upgrading, and international transport.

Export competition formed part of the agricultural negotiations during the preparation of the draft framework. The draft framework coincided with the preparations for the Cancun Ministerial Conference in 2003. The joint text from the United States (US), the European Union (EU) and G20 among other countries formed the 'draft framework on Agriculture" (aka "Perez del Castillo" text) of the draft Ministerial Declaration . Amendments were later made to the text, which was referred to as the "Derbez Text" after the Chairperson Luis Ernesto Derbez. The "Perez del Castillo" text had the proposals on Export Competition as presented on table 2. The negotiations process remained quite long with very little progress being made. The full details of the negotiations can be found in main texts, however, a summary of the outcomes are also presented in figure 2.

[2]http://docsonline.wto.org/imrd/directdoc.asp? DDFDocuments/t/G/AG/NGW142.doc

[3]http://docsonline.wto.org/Dol2FE/Pages/FormerScriptedSearch/directdoc.aspx? DDFDocuments/t/G/AG/NGW102.doc

[4]Argentina, Bolivia, Brazil, Chile, China, Colombia, Costa Rica, Cuba, Ecuador, Egypt, El Salvador, Guatemala, India, Mexico, Nigeria, Pakistan, Paraguay, Peru, Philippines, South Africa, Thailand, Venezuela

[5]WTO -JOB (03)/150/Rev.1, 24 August 2003.

[6]WTO- JOB (03)/150/Rev.2, 13 September 2003.

Table 2: Export Competition Proposals Under the Draft Framework

Export Competition	Proposals
Export Subsidies	• 50 percent immediate reduction in exports subsidies as a down payment, and subsequent reduction to zero in3/6 years for developed/developing countries. • 50 percent immediate reduction without down payment and further reduction of subsidies to zero in five years. • Broadly, "elimination is neither included nor excluded", depending on what happens in other areas, including export credit and domestic support • "Modulation" - moderate cuts for some products in return for steeper cuts in others. • Commitments on per unit subsidies (e.g. dollars per tonne of a product.) • The time within which to eliminate the export subsidies included five years (10 years for developing countries) for one set of products (of interest to developing countries) and nine years (12 years for developing countries) for the rest of the products
Export Credits	• Rules based- export credit and insurance would have to be granted on commercial terms such as duration of credit (e.g. 180 days), benchmarks for interest rates (such as the London inter-bank rate), appropriate insurance premiums etc. Anything that deviated from this would be classified as "export subsidies" and would have to be reduced or eliminated. • "Reduction commitments", which means calculating the subsidy component of credit, insurance and guarantees and treating them in the same way as regular export subsidies
Food Aid	• Food aid dealing with emergencies should be addressed in order to meet chronic food shortages or a country's development goals.
Export and State Trading Enterprises (STE)	• In cases where there is state granted monopoly, there were proposals for notification of purchase, sales prices and transactions costs, this would ensure price transparency

Figure 2: Export Competition Negotiations outcomes 2004 -2008

June 2006 Draft Modalities

Members agreed that developed countries would eliminate all forms of exports subsidies by end of 2013;

Pending issues

There were no commitments on a reduction formula.
No agreed time frame within which developed countries would eliminate exports subsidies.
No agreement on elimination of export credits, export credit guarantee schemes and the disciplines relation to the elimination
Elimination of exports subsidies by agricultural exporting state trading enterprises.

June 2007 Revised Draft Modalities

Developed countries members to eliminate subsidies by end of 2013 based on budgetary outlay commitments. 50 percent reduction by 2010. The rest to be eliminated by 2013.
Developing countries would eliminate subsidies in equal instalments and would be eliminated 5 years after the end of all export subsidies, following the Hong Kong ministerial declaration.
Exports would follow the rules set out in Annex D of the Agreement on Agriculture (AoA).
Agricultural exporting state trading enterprises would follow the rules set out in Annex E of the AoA.
International food aid would follow the rules set out in Annex F AoA

2008 Revised Draft Modalities

Developed countries members to eliminate subsidies by end of 2013 based on budgetary outlay commitments. 50 percent reduction by 2010. The rest to be eliminated by 2013.
Developing country members would eliminate their export subsidy entitlements by reducing to zero their scheduled export subsidy budgetary outlay and quantity commitment levels in equal annual installments by the end of 2016.
Developing country Members would further continue to benefit from the provisions of Article 9.4 of the Agreement on Agriculture until the end of 2021, i.e. five years after the end-date for elimination of all forms of export subsidies

3.0 The BALI Ministerial Conference (MC9)

The Bali Ministerial conference was held from 3 -6 December 2013, Bali, Indonesia, following several deadlines missed as already explained in the previous sections. The Bali Conference set out to identify 'low hanging fruits' where progress had been made following negotiations and an agreement could easily be reached. Issues under discussion were on trade facilitation, agriculture and food security. A key area of discussion under food security was on consistency of national policies and WTO farm subsidy rules where government expenditure on building food stocks for food security are minimal or non-trade distorting. India for example feared being in such a situation due to its National Food Security Act, which provided for subsidised food grains under the Public Distribution System. India proposed such price support schemes should be considered compatible with the green box and not be subjected to limitations. However, green box measures should not provide price support to producers. A group of developing countries also gave proposals on the administration of tariff rate quotas and export subsidies.

The outcomes of the MC9 on export subsidy was non- binding this is because members were urged to "exercise utmost restraint" in using any form of export subsidy and "ensure to the maximum extent possible" that "progress towards the parallel elimination of all forms of export subsidies […] will be maintained" This agreement left the use of export subsidies at the discretion of WTO members who provide export subsidies. On food security issues relating to public stock piling, the following was agreed:

i. A list of support policies used as general government services under the WTO "green box" were defined to include land rehabilitation, drought management, and rural employment and farmer settlement programmes

ii. Members opted for an interim solution public food stock piling for food security in the form of a peace clause and committed to finding a permanent solution by the 11th ministerial conference in 2017.

iii. Members would temporarily refrain from lodging legal complaint through the WTO Dispute Settlement Mechanism if a developing country exceeded its "amber box" limits as a result of stockholding for food security. For this to be effected public food stock piling was only allowed for traditional staple food crops and to existing programmes; transparency and stocks procured under such programmes should not distort trade or adversely affect the food security of other members.

There was no discussion on export competition during this ministerial conference.

4.0 The Nairobi Ministerial Conference (MC10)

For the first time in the history of the WTO, the tenth ministerial meeting was held in the Africa continent in the city of Nairobi, Kenya. Like the MC9, little progress had been made in the negotiations; the Chairman of the committee on Agriculture noted that there were several areas of divergence. There were proposals on special safeguards mechanisms that would enable developing countries curb import surges and the commercial benefits of export competition. Very little progress was made on public stock holding, cotton, domestic support and market access. The negotiations during this conference resulted in reaching agreements on export competition as follows:

- Developed member countries would eliminate export subsidies in their schedules with immediate effect while developing country members would do so by 2018.
- Developing countries would keep the flexibility to cover transport and marketing cost up to 2023 while least developing countries and net food importing countries will enjoy additional time until 2030.
- It was agreed that export subsidies by members should have minimal trade distorting effects and should not impede the exports of other members.
- Agricultural state trading enterprises will not operate in a manner to circumvent free trade under the WTO agreement

Issues relating to special safeguard mechanisms, public stock holding for food security, cotton and food aid would be subject to further negotiations in dedicated special session within the Committee of Agriculture.

Conclusion

Reviewing the progress made in the negotiations in export competition under agriculture from the Uruguay Round Targets under the Doha Development agenda up to the Nairobi Ministerial Conference (MC10), it will be acknowledged that progress has been made towards achieving the Uruguay Round Targets especially in export competition. However, this progress is not sufficient to complete the Doha Round.

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The Institute of Economic Affairs (IEA-Kenya) is a Public Policy think tank and a civic forum which seeks to promote pluralism of ideas through open, active and informed debate on public policy issues. The IEA-Kenya also provides research backup to policy makers, including Members of Parliament through research and advocacy. The IEA is independent of political parties, pressure groups and lobbies, or any other partisan interests.

The Trade and Development Programme aims to be an influential actor in Kenya's trade negotiations, policy formulation, reforms and impact assessment.

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