

EU: no final date for ending export subsidies until others sign up to reform - Hong Kong, 16 December 2005

The European Union is not willing to discuss dates for the elimination of export subsidies, until other countries sign up to transparent reform to their forms of export subsidies. The European Union accepted elimination itself in July 2004 on condition that others did the same. Europe's commitment to eliminating all export subsidies in an unequivocal, transparent way remains absolute. But every form of export support distorts world markets and the need to act applies to all governments engaged in export subsidisation.

Peter Mandelson, EU Trade Commissioner, said: "For the EU to offer a final date for eliminating Europe's export subsidies before others have even made equivalent commitments to reform would be senseless. We need to use these negotiations to get compliance by all. That is the point of a multilateral negotiation."

Mariann Fischer Boel, EU Agriculture Commissioner, said: "Reforms have to be specific and comprehensive. Then we can start discussing end dates. We are ready to move but we insist on taking others – the US, Canada, Australia and New Zealand – with us."

A date for ending export subsidies is not a trade-off for transparent commitments to reform export subsidy programmes. These commitments are what others owe to all members of the **WTO as part of their commitment to ending export subsidies in the July Framework Agreement of 2004.**

On Food Aid and Export Credits (USA) and State Trading Enterprises (Canada, Australia and New Zealand) there are still no transparent commitments to reform trade-distorting export support. Most of these countries are not yet willing to accept that their export supports distort trade.

Export Credits

Export credit programmes for agricultural exports are managed in most OECD-countries by the private sector. The US government is the largest global provider of 'officially supported export credits' for agriculture, allocating up to \$6.1 billion of export credit cover in 2005 at conditions more favourable than the private sector would offer. This is clearly a trade distorting practice.

The EU believes that exporters who wish to benefit from export credit programmes have to cover all the costs of the programme through appropriate fees, so that government programmes should essentially be operated on commercial terms. For short-term credits this needs to be checked with a short-term "self-financing" principle. We also need to make sure that these programmes become short-term only (for example the imposition of a 180-day repayment period as agreed last year in the Framework Agreement).

State Trading Enterprises (STE)

New Zealand, Canada and Australia have helped their State Trading Enterprises secure a dominant share of the global market for these countries (up to 30 % share in global exports). These STEs can be private enterprises, albeit with artificial protection from market forces. They benefit from a wide range of government-backed privileges, the most important of which are monopoly powers such as exclusive export rights. Such governmental privileges not only confer huge financial benefits but also distort global agricultural trade. We want

governments to withdraw all direct and indirect privileges to State Trading Enterprises that distort international trade in agriculture.

Non-genuine food aid

Genuine food aid is a crucial instrument for development and we want to see a re-confirmation of donor commitment in the Round to provide adequate levels of food aid. However, food aid is also used as an instrument for surplus produce disposal and distorts global trade. Non-genuine food aid also disrupts local production in developing countries, and imports food rather than drawing on local markets. As the biggest provider of “in-kind” food aid (in 2003 the US provided 2.6 bn US \$ of food aid – about the same value of the EU’s export refund system) the US has been heavily criticised for using food aid for purposes other than humanitarian aid. Up to 60% of the money spent on ‘in kind’ food aid stays in the US, in the pockets of US farmers and transport and logistics companies. The EU, which at that time was heavily criticised by the NGO community, stopped the practice of exporting surplus food for aid use in 1996.

The EU wants to make food aid a clearly humanitarian instrument. Management of food aid, including determination of appropriate resources and practice should be handed to development organizations. The EU expects a move towards a fully cash-based system which ensures the best use of local resources in assisted countries and avoids market disruption locally and on the world market.