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The World Trade Organization (WTO) Agreement on Agriculture: Export Competition after the Nairobi Ministerial Conference

Although agricultural export subsidies used by developed countries may have benefited net food-importing developing countries in the short term, by contributing to keeping prices relatively low, such subsidies have also affected the ability of farmers in other countries to compete in both domestic and international markets. Export subsidies have always been at the core of the World Trade Organization (WTO) negotiations on export competition. In the past, the use of export subsidies was widespread, with the EU having the largest entitlements to the use of this instrument under the WTO rules and accounting for the biggest share of the export subsidies provided globally. At the time of the WTO Ministerial Conference in Nairobi in 2015, out of the 16 WTO members[1] with the right to use export subsidies, only a handful did so, most notably Canada, the EU, Norway and Switzerland.

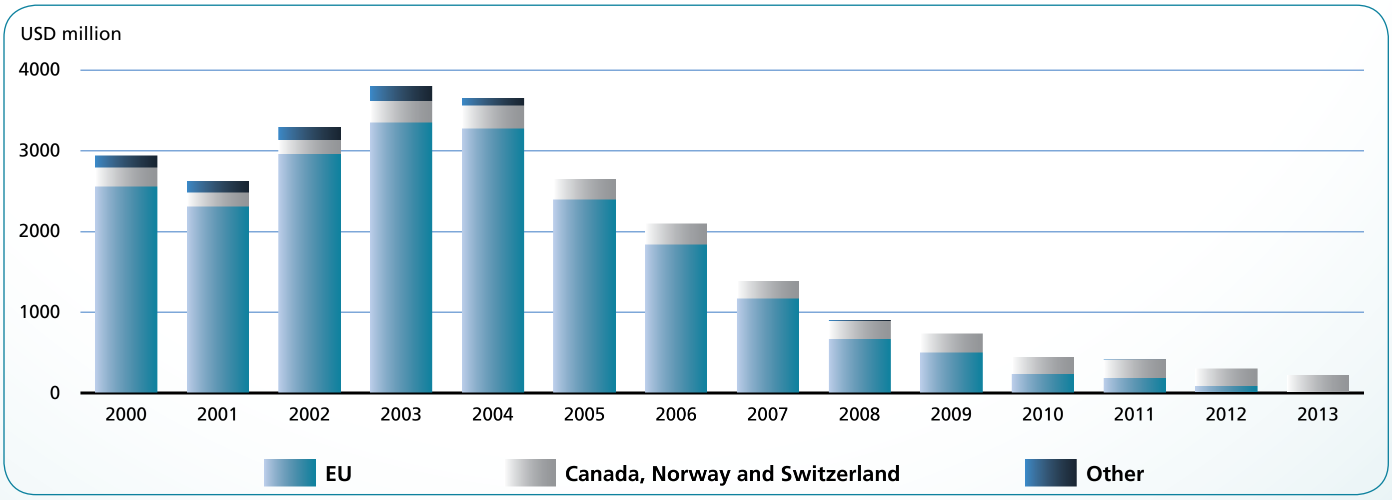
[1] **Developed:** Australia, Canada, EU, Iceland, Norway, Switzerland, United States; **Developing:** Brazil, Colombia, Indonesia, Israel, Mexico, South Africa, Turkey, Uruguay, Venezuela.

As Figure 1 shows, the use of export subsidies at the global level has declined significantly since 2005. In part, this could be explained by the steep increase in agricultural commodity prices since 2006, which considerably diminished the need to provide incentives for sustaining or boosting exports. However, the consecutive reforms of the Common Agricultural Policy (CAP) of the EU, most notably the move away from using market price support for farm products, had probably played an even greater role as they resulted in reduced food stocks and smaller exportable surpluses. In accordance with the 2014-2020 CAP, the last time the EU used export subsidies was in 2013.

At the 10th WTO Ministerial Conference held in Nairobi (Kenya) in December 2015, Members agreed on a Ministerial Decision on Export Competition[2] introducing prohibitions to agricultural export subsidies similar to those applicable to non-

[2] WTO (2015), MC10 Ministerial Decision, WT/L/980. 19 December 2015.

FIGURE 1. NOTIFIED EXPORT SUBSIDIES BY WTO MEMBERS



Source: Food Outlook Special Feature, October 2016.

TABLE 1. EXPORT SUBSIDIES END-DATE PER PRODUCT CATEGORY AS PER THE NAIROBI DECISION

MEMBER	PRODUCT	END DATE
DEVELOPED (GENERAL)	**All products**	**Immediate elimination**
CANADA	• Dairy products, processed products	• End of 2020
EUROPEAN UNION	• Pork meat, processed products • Sugar	• End of 2020 • September 2017
NORWAY	• Pork meat, dairy products, processed products	• End of 2020
SWITZERLAND	• Processed products	• End of 2020
DEVELOPING (GENERAL)	**All products**	**End of 2018**
BRAZIL	• Cotton	• End of 2016
COLOMBIA	• Cotton	• End of 2016
ISRAEL	• Cotton • Fruits and vegetables	• End of 2016 • End of 2022
SOUTH AFRICA	• Cotton	• End of 2016
TURKEY *	• 19 products	• End of 2022
VENEZUELA *	• 50 products	• End of 2022

* Turkey and Venezuela submitted their most recent relevant notifications in 2003 and 1998, respectively. However, this does not mean that these two Members have made use of the tool during recent years.

Source: FAO Food Outlook Special Feature, October 2016

agricultural products under the WTO Agreement on Subsidies and Countervailing Measures. The Decision foresees the elimination of **export subsidies** in different timeframes for developed and developing countries. Specific exceptions have been agreed upon for some products and for particular developed and developing members. These exceptions, in the form of delayed elimination of export subsidies, are shown in the Table 1.

Another important element in the Decision is the extended deadline to 2023 provided to developing countries regarding the use of Article 9.4[3] of the Agreement n Agriculture (AoA). The LDCs and the NFIDCs get an additional seven years compared to other developing countries until the end of 2030.

On export credits, the Decision outlines that the Maximum Repayment Period (MRP) of this type of support cannot exceed 18 months. This discipline shall apply from the end of 2017 for developed country Members. Developing countries are initially entitled to an MRT of 36 months, a period that will be gradually reduced to 18 months over four years. Special and Differential Treatment is included for LDCs, NFIDCs and nine additional Small and Vulnerable[4] (SVEs) WTO Members, comprising an allowance for a repayment term ranging between 36 and 54 months for the acquisition of basic foodstuffs. Cuba has an unlimited repayment period. In exceptional circumstances, which preclude financing normal levels of commercial imports of basic foodstuffs, this time-frame can be further extended. Finally, export credit guarantee, as well as insurance and reinsurance programmes, should be self-financing[5] and cover their long-term operating costs and losses.

On State Trading Enterprises (STEs), the Decision mandates that their operation should not circumvent any other disciplines of the Decision. However, it only refers to the best endeavour to ensure that the use of export monopoly powers by the STEs is exercised in a manner that minimizes trade distortions.

On Food Aid, the stated objective is to prevent or minimize the potential of food aid to displace commercial trade and domestic and/or regional production. The Decision contains general commitments (i.e. to maintain adequate level of international food aid, to take into account the interests of the recipients and to not unintentionally impede the delivery of food aid in emergency situations) as well as specific commitments (international food aid to be needs driven, in fully grant form, not tied to commercial exports or linked to market development objectives and not to be re-exported, with well justified exceptions on the latter). Monetization[6], the most controversial issue in the run-up to the Nairobi Conference, is allowed when there is a demonstrable need for it or when it is used to redress food deficit requirements and/or insufficient agricultural production situations in LDCs, NFIDCs and nine SVEs. Several specific requirements and conditions apply.

3 Article 9.4 of the Agreement on Agriculture, which includes temporary exceptions for developing countries, allowing them to subsidize marketing, including handling and upgrading as well as internal or international transportation.

4 Belize, the Plurinational State of Bolivia, Ecuador, Fiji, Guatemala, Guyana, Nicaragua, Papua New Guinea and Suriname.

5 Self-financing could conceptually be understood as the ability of export financing support programmes to operate in a manner by which all operating costs, losses and any other form of export contingent financial contribution otherwise provided under such programmes are recovered in due course to a commercially viable standard over a period. However, the Nairobi decision does not include any definition of self-financing.

6 "Monetization" is the sale of food aid and the use of the revenues to support program-related costs and developmental activities, such as training, technology transfer and incentives for behaviour change. This is usually done through cooperating sponsors, which are typically NGOs or the recipient government.

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