

PREPARATIONS FOR THE 1999 MINISTERIAL CONFERENCE

Negotiations on Agriculture

Objectives for the Agriculture Negotiations: Export Competition

Communication from the United States

The following communication, dated 27 July 1999, has been received from the Permanent Mission of the United States.

Proposal

1. That the objectives for the WTO negotiations on export competition in agriculture be:
 - to completely eliminate, and prohibit in the future, all remaining export subsidies as defined in the Agreement on Agriculture;
 - to clarify rules on other measures that can act to circumvent export subsidy disciplines and to create new disciplines for other practices that distort export competition, such as:
 - improving transparency in the operations of exporting state trading enterprises (STEs) and stronger disciplines on the monopoly activities of STEs, including pricing policies that support cross-subsidization and price undercutting in export markets; and
 - terminating the use of export taxes applied in a sporadic and distortive manner on specific agricultural products.
2. As noted in WT/GC/W/186, on the Objective and Overall Framework for the Agriculture Negotiations, WTO Members should agree to present proposals on specific modalities for the negotiations on export competition beginning in January 2000 and agree that each Member will table a comprehensive schedule for export competition following agreed parameters no later than y date.

Background

3. Agricultural export subsidies have significant and adverse effects on competitive trade in agricultural products and the environment. They are also the permitted measure at greatest variance with general WTO principles. To date, the majority of WTO Members have met their annual export

subsidy reduction commitments in terms of value and quantity, although disciplines on subsidies have encouraged some countries to devise schemes that circumvent their commitments.

4. Circumvention of export subsidy commitments threatens to undermine the disciplines on export subsidies. The export activities of state trading enterprises (STEs) are subject to Article 9 and 10 provisions on export subsidies, but their activities are difficult to monitor and they engage in practices that support non-commercial objectives. STEs frequently hold monopoly control over exports and, in some cases, monopsony control over domestic procurement, potentially leading to advantages for the STEs that are not available to private traders.

5. While some countries may use export taxes legitimately to generate government revenue, export taxes should not be used to restrict the availability of agricultural products on world markets, particularly in times of short supply. A prohibition on the use of export taxes for domestic supply management considerations would address the food security concerns of countries and contribute to a reduction in commodity price volatility.
