

# WORLD TRADE ORGANIZATION

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## **WTO Negotiations on Agriculture Cairns Group Negotiating Proposal Export Competition**

Argentina, Australia, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Fiji, Guatemala, Indonesia, Malaysia, New Zealand, Paraguay, Philippines, South Africa, Thailand and Uruguay submit the following first Cairns Group proposal which deals with export competition issues in the WTO negotiations.

### **INTRODUCTION**

Export subsidies are the most trade-distorting agricultural policies and damage both developed and developing countries. By depressing and destabilising international market prices, the use of export subsidies by a small number of countries lowers farm incomes in other exporting countries and harms local production in food-importing countries. They undermine environmentally sustainable production methods by farmers in developing countries. Moreover, many developing countries have large, even vast, rural populations making their living off working the land. Export subsidies force them to compete with the richest treasuries, contributing to increased rural poverty, the swelling of overcrowded cities and the promotion of social unrest.

There is no justification for export subsidies to continue in agriculture. Export subsidies for industrial products were prohibited by the GATT more than 40 years ago. Price and quality are the only fair means of export competition and it is unfair to support exports through subsidised prices or subsidised terms of payment. Only 25 of the current 137 WTO Members have agricultural export subsidy entitlements in their Schedules.

Consistent with the WTO commitment to fundamental reform, resulting in correcting and preventing restrictions and distortions in world agricultural markets, the Cairns Group seeks the complete elimination of all forms of agricultural export subsidies.

### **PROPOSAL**

Taking into account that from 2004, agricultural export subsidies will no longer be exempt from actions based on Article XVI of GATT 1994 or Articles 3, 5 and 6 of the Subsidies Agreement, the Cairns Group proposes that:

- WTO Members agree to the elimination and prohibition of all forms of export subsidies for all agricultural products.
- The date for elimination of the remaining export subsidies will be agreed in the negotiations.

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- Elimination will be achieved through a substantial downpayment in terms of reduction (eg. not less than 50%) of outlays and volumes of export subsidies during the first year of the implementation period. This first instalment shall be followed by an accelerated process of reduction leading to zero of the residual subsidies.
- The starting point for the downpayment and reduction process will be the bound export subsidy ceilings at the end of 2000 for developed countries and 2004 for developing countries.
- Additional or strengthened rules and disciplines shall be developed to prevent the circumvention of the elimination and prohibition of all forms of export subsidies. This would include eliminating any subsidy elements of other forms of unfair export competition measures including, but not limited to, export credits, export credit guarantees or insurance programs and non-commercial transactions.

### **Continuation Of The Reform Process**

In order to ensure that the reform process continues during the course of the WTO negotiations, countries entitled to use export subsidies should show maximum restraint and reduce the extent to which they utilise them.

### **Special and Differential Treatment**

Consistent with the need to take fully into account the particular needs and conditions of developing countries, the Cairns Group proposes that commitments on export subsidies include concrete special and differential treatment provisions. The final provisions will need to be developed taking into account the outcome of the negotiations on export subsidies and will aim to provide developing countries with useful and effective tools to cushion the impact of the reform process and help them to adapt to change. These could include:

- A longer implementation timeframe for developing countries; and
  - Extension of existing special and differential treatment for developing countries under Article 9.4 of the Agreement on Agriculture until the elimination and prohibition of export subsidies are completed.
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