

**Committee on Agriculture
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Statement by the European Communities

Introduction of the EC paper on Export Competition

It is clear from papers already tabled that export competition is a major, perhaps the major concern for some Members.

The EU fully recognises the importance of this topic. Export competition is one of the issues covered by Article 20 and we fully accept that it is a subject which must be addressed. But it cannot be addressed in the partial way it was dealt with in the Uruguay Round.

At the end of that Round, clear, effective and transparent rules were introduced for export subsidies; a commitment was made to negotiate discipline on export credits; rather vague rules were set for food aid and no parameters at all were set for the operation of state trading bodies or other export monopolies. What has been the result?

On export credits, WTO Members undertook, in Marrakesh, *"to work toward the development of internationally agreed disciplines to govern the provision of export credits, export credit guarantees or insurance programmes and, after agreement on such disciplines, to provide export credits, export credit guarantees or insurance programmes only in conformity therewith"*. Nine months after the agreed date for starting Article 20, disciplines foreseen in an agreement reached in Marrakech in 1994 have not yet been agreed. Of course, negotiations have been going on in the OECD for years, but it is only recently that they have moved on. It is fair to recognise that progress was made at the latest meeting of negotiations, which took place in Paris early this week. Hopefully an agreement could be reached at the OECD by the end of the year. However, it must be clear that this agreement can only be a first step for further improvements disciplining export credit practices so that these become more market-oriented, and that these disciplines should be integrated on the new WTO Agreement on Agriculture.

On food aid, we see grants of food aid going up when the world is in surplus –when food aid is less needed-, and down when supplies are short. And we even see pledged food aid given in the form of credit, adding debt to hunger.

And state trading enterprises can continue to use profits in one market to subsidise sales to another with no quantitative or budgetary limits on their actions.

This isn't a serious way to move towards an undistorted market. And it isn't a good way to move towards a serious negotiation. In the last Round, the EU accepted clear discipline on export subsidies, the means by which we bridge the gap between our fixed market support levels and the fluctuating world market. We have stuck to these disciplines and we have faithfully reported to the WTO the volume and value of our export subsidies. The result has been that, as our system is the

only one which is disciplined and on which there are clear, transparent and well known statistics, some Members appear to believe that all the problems of the world market are due to our policies.

A moment's reflection will show that this is wrong. If food aid is given not to alleviate a crisis in food availability but as an export promotion measure, it is the equivalent of a 100% export subsidy. If a country which maintains producer returns on the face of fluctuation prices by deficiency payments provides subsidised credit and credit guarantees, then it provides a far more effective means of under cutting world prices and distorting world trade, than a country which simply provides a refund to bridge the gap between fixed internal prices and fluctuating world prices. And a state trading company which decides to use a sudden profit it has made in one market to finance an aggressive drive into another, is distorting trade just as surely as an aggressive user of export subsidies.

In short, the outcome of the Uruguay Round on export competition put some policy instruments under a spotlight and left others hidden in the dark. This has contributed to a sense of grievance on both sides of the debate. A negotiation in which both parties start with a sense of grievance is not likely to succeed. So we need a complete debate. And we need a balanced result, because it is only through progress in a balanced way that we can achieve the object set out in Article 20 of progressive reform.

The paper which the European Community has tabled for this meeting proposes a work programme to achieve this result. I hope delegations will be prepared to give it serious study. We are not calling for unilateral concessions from others whilst contributing nothing ourselves. We are prepared to move further on export subsidies. But on the clear condition that there is equivalent action on other sources of export trade distortion.
