

Committee on Agriculture  
Special Session

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## SECOND SPECIAL SESSION OF THE COMMITTEE ON AGRICULTURE 29-30 JUNE 2000

### Statement by Australia on behalf of the Cairns Group

#### **Introduction of Cairns Group Negotiating Proposal on Export Competition.**

It gives me great pleasure to introduce the Cairns Group's negotiating proposal on export competition (G/AG/NG/W/11).

This is the first of a series of proposals the Group will be tabling at these Special Sessions this year. Others will cover the two other reform legs of the Uruguay Round Agriculture Agreement - domestic support and market access. In each of the three areas we will put forward ideas and proposals on S & D - the Cairns Group attaches deep importance to this dimension. Our approach, based on the view that S & D is integral to the reform process, is to integrate practical proposals with the reform mechanisms we put forward.

All three of the reform pillars are very important to the Group - they are inter-linked and reform to each is needed if we are to achieve a coherent outcome - that is, an outcome which establishes a fair and market oriented agricultural trading system, by correcting and then preventing restrictions and distortions in agricultural markets.

We have started with export subsidies which are the most trade-distorting, indeed trade disrupting, agricultural policies - instruments which permit the surpluses created by excesses in domestic support and protection to be dumped onto world markets at the cost of others.

The egregious impacts of export subsidies are apparent and some have been mentioned by India under the previous agenda item. They act to depress prices that would otherwise apply to commercial trade. They reduce the incentive for more efficient production, and more numerous sources, to emerge. This damages other countries, including NFIDC's, and weakens long term food security and development.

Export subsidies force less sustainable production methods as others scramble to compete, thus damaging the environment.

Export subsidies are quite fundamentally unfair. They are literally "beggar thy neighbour policies" for those whose Treasuries cannot compete. They reflect discrimination in the trading rules against those countries who do not subsidise exports - against their farmers and rural communities - and, in reverse, effectively provide discrimination in favour of those whose comparative advantage is in manufactures, where these policies were outlawed 40 years ago.

Furthermore only 25 of the WTO's 137 members enjoy the benefits of this discrimination and OECD members account for 97 per cent of usage.

It is recognition of this fundamental lack of equity which has seen support for export subsidy elimination swell in recent years. It was noteworthy that this has included the G77, the 21 APEC economies at the highest level, and the members of the FTA of the Americas most recently the G15 has expressed its view.

The elimination process started in the Uruguay Round - but it was only a start - and on a flawed basis. We achieved cuts of only 36 per cent by value and 21 per cent by volume - and from historically high base dates. We saw circumvention of even those modest cuts through cumulation from previous years.

We have a situation now, after six years, where entitlements remain high. Eg. for wheat and flour, an EU value capacity of \$1.4 billion and a US capacity of \$363 million; for sugar, an EU capacity of some \$600 million.

The Cairns Group is determined that these mandated negotiations will result in elimination – i.e. "in correcting distortions", to refer back to the Punta Del Este language which directs these continued negotiations.

We welcome the sharing of that goal reflected in the US proposal to be discussed later in this Special Session.

Just what do we propose in essence?

- (i) The elimination, and thereafter prohibition, of all forms of export subsidies on all agricultural products by a date certain to be agreed (bearing in mind expiration of the "Peace Clause" at end 2003).
- (ii) A substantial down payment - of not less than 50 per cent of outlays and volumes - from Uruguay Round end-points to be achieved during the first year of implementation.
- (iii) Additional or strengthened rules and disciplines to prevent circumvention of elimination including to cover subsidy elements of other forms of unfair export competition, such as export credits, guarantees or insurance - and of non-commercial transactions.
- (iv) S&D treatment to be determined according to the outcome of negotiations which might include a longer implementation timeframe and continuation of current exemptions for DC's until elimination/prohibition has been completed.

In the spirit of continuation of the reform process, we also call for continued reductions in export subsidy levels and exercise of restraint during the course of these negotiations.

Along with our Cairns Group colleagues, we commend the proposal to this meeting.

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