

ISSUES REGARDING EXPORT SUBSIDY NOTIFICATIONS

Discussion Paper by Australia

1. The purpose of this paper is to examine possible ways to improve the process for reviewing export subsidy notifications. Simple improvements could avoid many of the questions which repeatedly arise in the review of notifications undertaken in the Committee and would make the notification and review processes less burdensome for Members.

2. The current paper examines possible ways that the information included in the notification tables for export subsidies (Tables ES:1, ES:2 and ES:3 and Supporting Tables ES:1 and ES:2 as set out in G/AG/2) could be improved, taking into account the importance of transparent and readily comparable data in verifying that Members are adhering to their commitments for the reduction of export subsidies. The suggestions are not intended to be exhaustive - there may be others that Members wish to discuss. Nor are the suggestions intended to involve any issues of interpretation of the WTO Agreement on Agriculture or Members' schedules of commitments.

Comprehensive product coverage

3. A question that has arisen in the review process is whether the notification tables should report information for all products for which Members have base and annual commitment levels, or just for products which actually benefited from export subsidies. The notification requirements for Table ES:2 suggest that total exports should be reported for all products for which there are commitments (in addition to reporting requirements for significant exporters of specified products). To improve transparency, it may be useful for the notification requirements to make clear that all export subsidy notification tables should include the required information for all products for which Members have base or annual commitment levels, including products for which no export subsidies were granted during the reporting period.

Disaggregation of information

4. The methodology used in the Uruguay Round of negotiations resulted in export subsidy commitments being taken on the basis of product groups which aggregated a number of products. However, the degree of aggregation differs. Examples of broad product groups include coarse grains, other milk products, and fruit and vegetables. Given the number of products and tariff lines that can be captured in product groups, it may be useful if the tariff lines that actually benefited from export subsidies and, if possible, the volume and value of export subsidies involved were identified in notifications.

Reporting on exports in excess of commitment levels

5. A commonly asked question in the review of export subsidies is whether exports in excess of commitment levels were subsidised or not. To obviate the need for this repeated questioning, if appropriate, a simple statement could be included on Table ES:2 notifications to the effect that where exports have occurred in excess of commitment levels, these exports have not benefited from export subsidies whether the export subsidies are listed in Article 9 of the WTO Agreement on Agriculture or not.

Reporting of exchange rates

6. To improve transparency, it may be useful if Members whose export subsidy outlay commitments are expressed in currencies other than their national currencies, notify the source and basis for the calculation of the exchange rates.

Consistency in reporting periods

7. The notification tables for export subsidies require Members to specify the reporting period - calendar year, marketing year, etc. In making their notifications, some Members have used different reporting periods for a single product group within and between tables. For example, in Table ES:1, there are notifications where quantity and outlay commitments for the same product group were reported for different periods. In other cases, total exports for a product group in Table ES:2 were notified for different reporting periods to the budgetary outlay and quantity reduction commitments for the same product group in Table ES:1. While it is recognised that the flexibility to use different time periods was permitted under Uruguay Round modalities, it would greatly improve the transparency and verifiability of export subsidy notifications if, for each product, the same reporting period was used within and across all tables.

Timeliness of notifications

8. Some Members have used different reporting periods for each of the products on which they have export subsidy reduction commitments. As a result, some of these Members are delaying their export subsidy notifications until the latest reporting period has ended. The notification requirements specify that an export subsidy notification should be made within 60 days following the end of the calendar (or, marketing, fiscal, etc. year) in question (or 120 days if a provisional notification is made within 60 days). To avoid unnecessary delays in reviewing the implementation of reduction commitments, Members with different reporting periods for different products should submit separate notifications.

Consistency in measurement units

9. A number of notifications have employed differing units of measurement in their export subsidy notifications. For example, a notification used carcass equivalent weight and product weight measurement units for reporting subsidised and actual volumes of beef exports respectively. It would greatly improve the transparency and verifiability of export subsidy notifications, if the same measurement units were used for each product within and across all tables.

Reporting of actual versus approved export subsidies

10. A number of notifications have reported subsidised exports in Table ES:1 on the basis of approvals or awards given to exporters. A major drawback with this practice is that the actual level of export subsidies used in a reporting period cannot be determined. This stems from the fact that award levels could be different to actual levels if, for example, actual shipments occur after the end of the reporting period in which the award was made; awarded entitlements are not utilised due to changes

in market conditions or other factors; or previously unused entitlements are reallocated and used but the reallocated award is not notified as belonging to the later period. Without information on actual subsidised exports, it is very difficult to determine whether a Member is meeting its reduction commitments.

11. Members have defended reporting on an awards basis on the grounds that data on actual subsidised shipments are not timely. To overcome this problem, it may be preferable to allow Members to submit a provisional notification using data on awards and a final notification, within an appropriate period of time, using data on actual subsidised shipments.
