

AGRICULTURAL EXPORT PROMOTION PROGRAMS/ POLICIES AND THE WORLD TRADING SYSTEM

HOUCINE BOUGHANMI
WTO Chair
Sultan Qaboos University

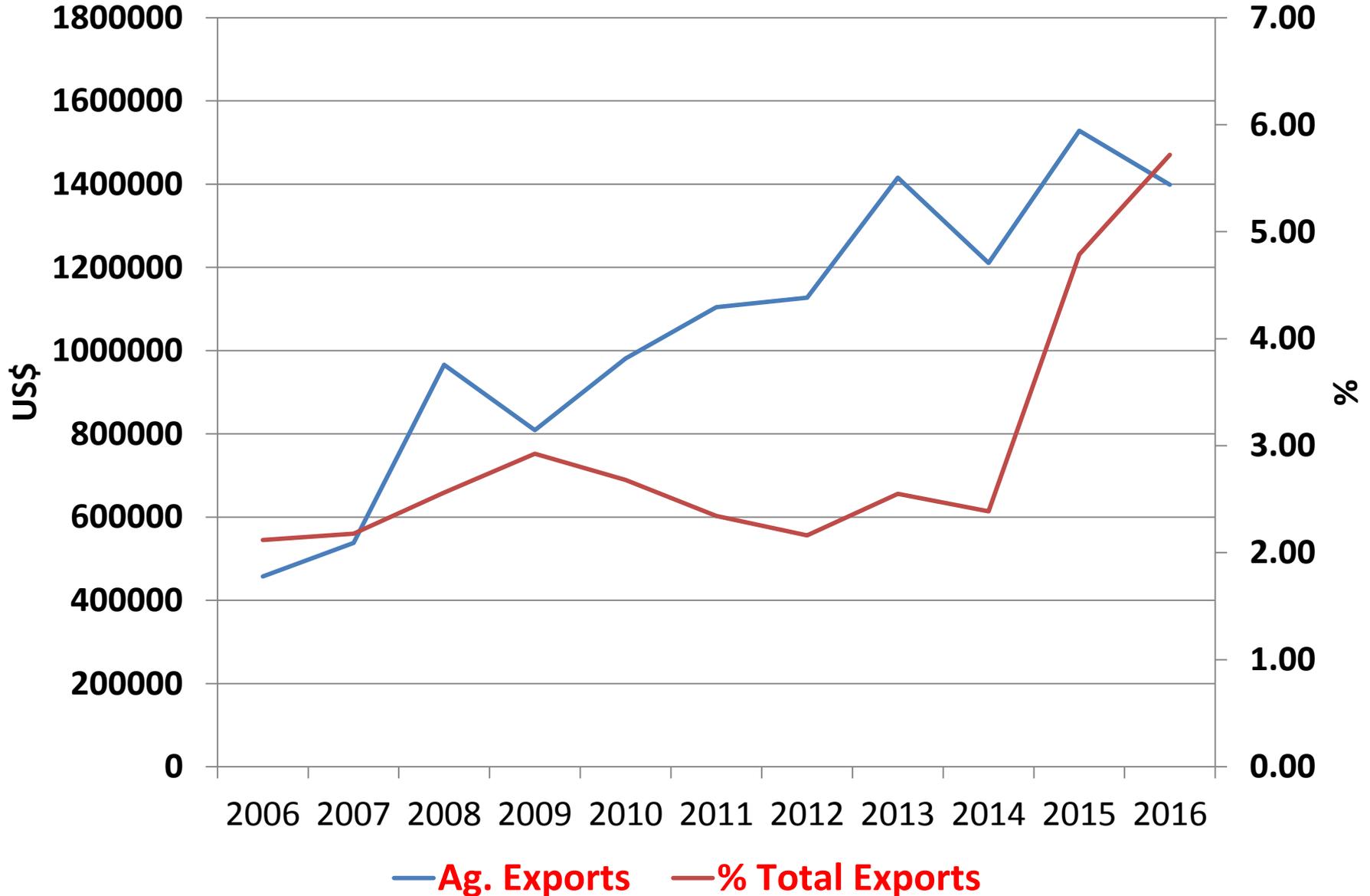
**Joint Workshop Organized by UNCTAD and CAMS
for Dates Farmers and Stakeholders**

19-21 March, 2018
Sultan Qaboos University
Oman

The Need for Export Promotion Policies (EPP's)

- ❑ Oman agricultural exports in the last decade has shown an increasing trend
- ❑ Exports act as engine of economic growth (export-led growth hypothesis)
- ❑ Both developed countries as well as LDCs use EPP's to promote their exports.
 - ✓ Attributes of local products need to be communicated to potential overseas buyers (non-price advantage)
- ❑ Public versus private export promotion

OMAN AGRICULTURAL EXPORTS



AGRICULTURAL EXPORT PROMOTIONS PROGRAMS (EPP's)

❑ **Export Subsidies**

- ❖ Direct Export Subsidies
- ❖ Policies with Subsidy Equivalent effects (Duty drawbacks schemes, tax exemption...)

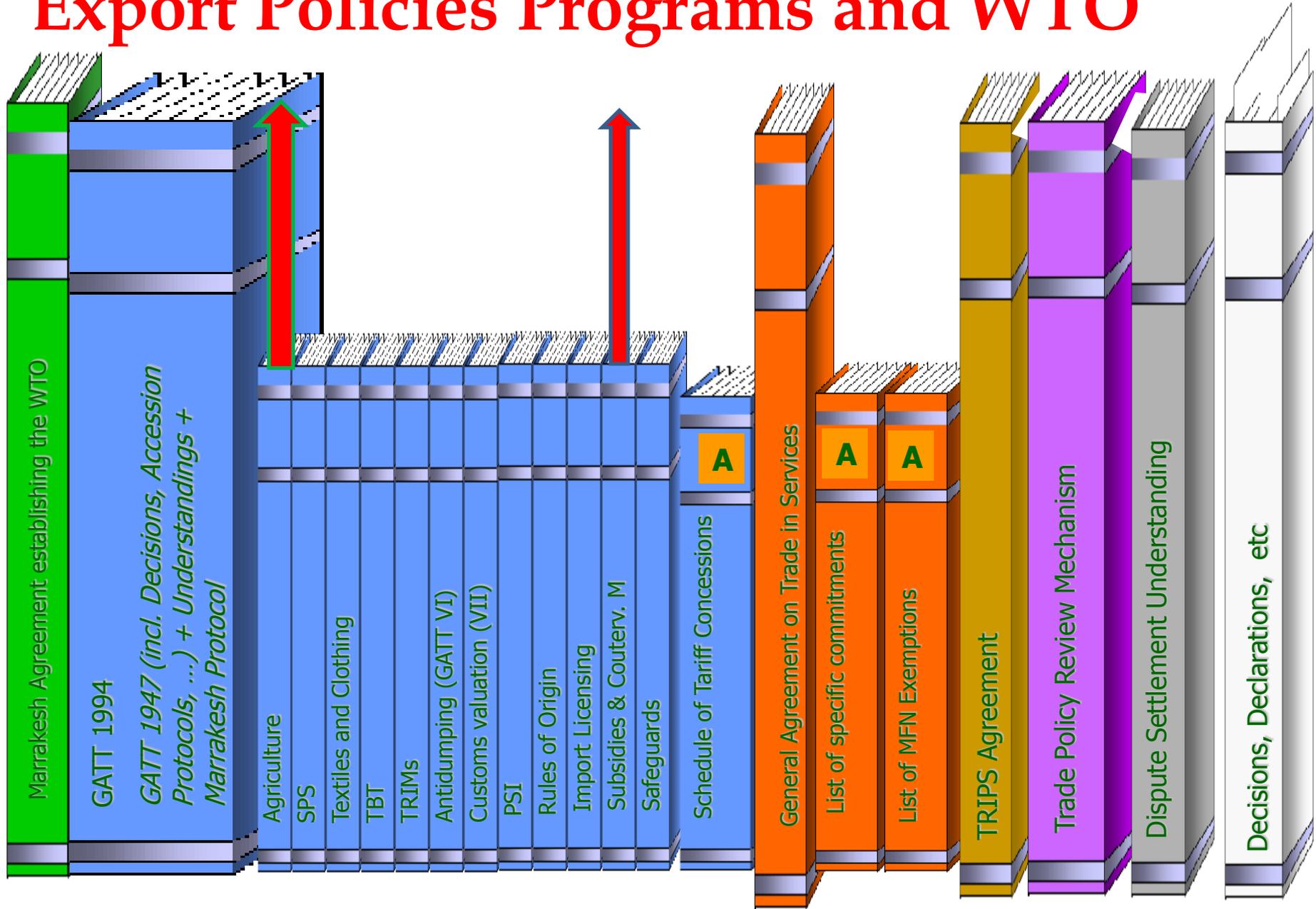
❑ **Export Finance**

- ❖ Export loans
- ❖ Export guarantees
- ❖ Export insurance

❑ **Export Market Development Programs** (advertising, trade missions,...)

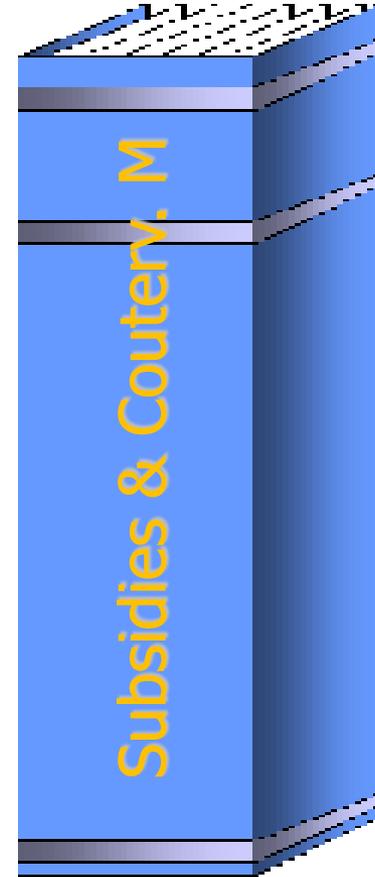
- ❖ Supplying information to local exporters about foreign markets
- ❖ Knowledge to potential buyers about local products
- ❖ Providing support services (research, know how, training)

Export Policies Programs and WTO



Agreement on Subsidies and Countervailing Measures (SCM)

- Subsidies Defined**
- Prohibited Subsidies**
- Actionable Subsidies**
 - ✓ permitted but subject to action
- Non actionable Subsidies**
 - ✓ permitted and shield from action



The Agreement on Agriculture: The Three “Pillars”



Market access

Export competition

Domestic support

Structure of the Agreement

Market access

Tariffs

Tariff Quotas

Special
Safeguard

Domestic support

Green Box

Blue Box

Article 6.2 –
Development
Programmes

Amber Box

Export competition

Export subsidies

**Anti-
circumvention**

Export Subsidy coverage (Article 9.1)

1. Direct subsidies contingent on export performance
2. Sale or disposal for export of non-commercial stocks at prices below domestic market price
3. Subsidies to reduce cost of marketing, including handling, upgrading, international transport and freight
4. Favourable internal transport and freight charges on export shipments
5. Subsidies on agricultural products contingent on their incorporation in exported products



Art. 9.4

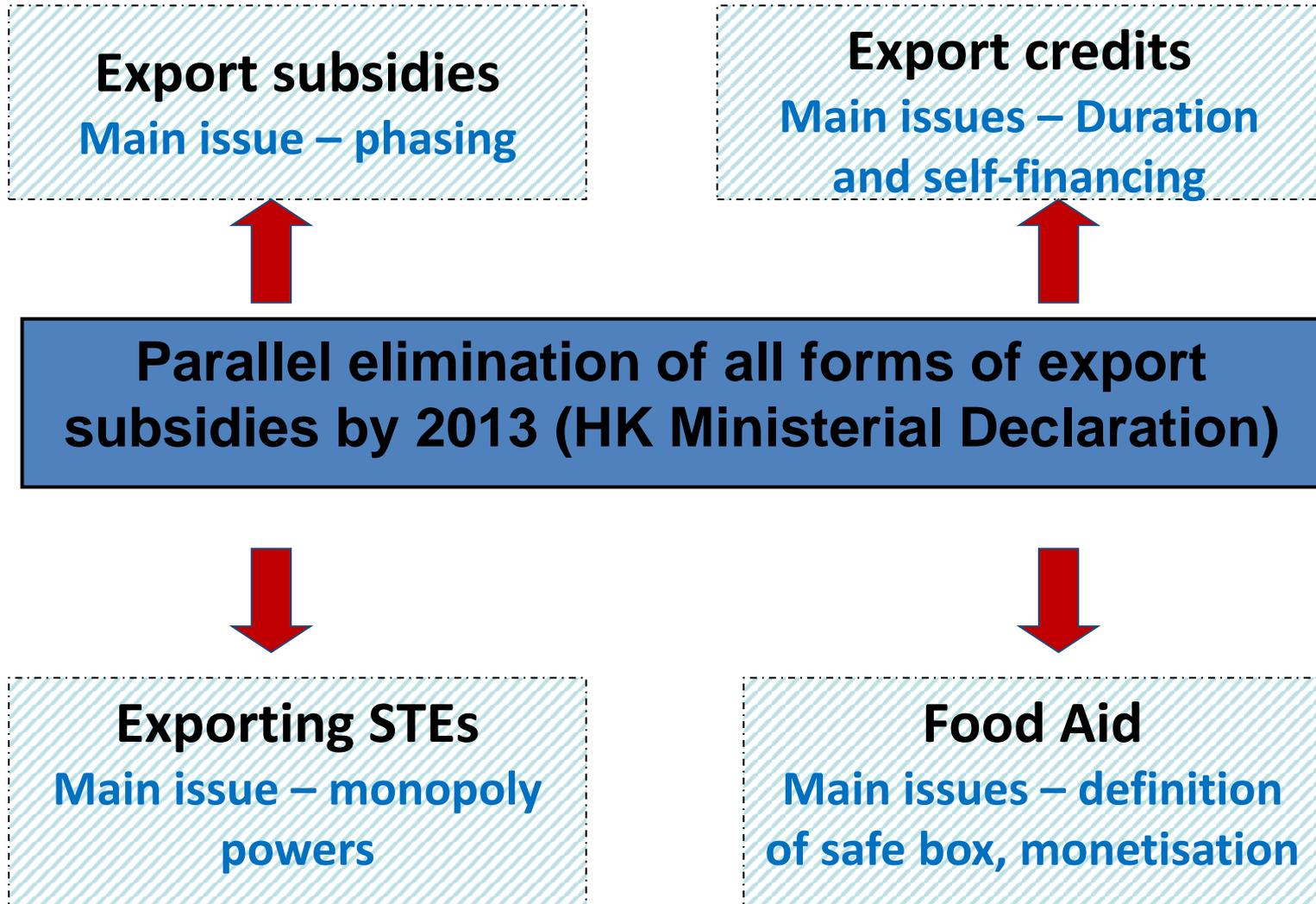
The right to use export subsidies

□ Limited to 2 situations:

- ❖ Within the limits specified in the Schedule of each WTO Member
- ❖ Export subsidies consistent with article 9.4 of AoA for developing countries (marketing and domestic transport costs)

□ By the end of 2015 only 16 members were allowed to subsidize agricultural exports

Export Competition in the DOHA Negotiations



Export Credits

- ❑ **Maximum repayment term: 180 days**
- ❑ **Must be self financing** (export credits, exports credits guarantees, insurance programme)
- ❑ **S&D for LDCs and NFIDCs.**

Agricultural Exporting State Trading Enterprises (STEs)

- ❑ Elimination of:
 - ✓ Export subsidies
 - ✓ Government financing of STEs
 - ✓ Government underwriting of losses
 - ✓ Monopoly powers – except if have small share of trade

- ❑ S&D for developing countries
 - ✓ Maintain or use export monopoly powers if small share of trade

International Food Aid

❑ **Objective : Prevent commercial displacement**

❑ **General disciplines for all food aid transactions:**

- ✓ Needs driven
- ✓ provided in fully grant form
- ✓ Not tied to commercial exports of goods or services
- ✓ Not linked to market development objectives of donors
- ✓ Not re-exported (with exceptions)

❑ **Encourage the shift towards cash-based food aid**

EXPORT PROMOTION AGENCIES (EPAs): **A Literature Review on their Effectiveness**

Service offered by EPA's

- Country Image building** (advertising, Promotional events, advocacy)
- Export support services** (export training, technical assistance, information on finance...)
- Marketing** (trade fairs, missions,..)
- Market research and publications** (general /sectoral, on line data base)

Institutional Design of EPAs

Structure

- Administrative unit of a ministry
- Autonomous entity
- Private

Source of Finance

- mostly government
- mostly private
- fee paying services
- donors

Public funding seems to predominate as a source of funding

Effectiveness of Export Promotion Agencies

Region	Additional exports for every 1\$ in the EPA budget
Eastern Europe&Asia	100
Latin America &Caribbean	70
Sub-Saharan Africa	38
OECD	5
MENA	-53

Source: Lederman et al. 2010 "Export promotion agencies: Do they work? Journal of development economics 91(2): 257-265..

Issues of Unsuccessful EPAs

- Lack of strong leadership
- inadequate funding,
- too bureaucratic,
- not client oriented
- heavy government involvement
- Had to overcome strong anti-trade biases

Successful factors

- Funding largely Public
- Large share of the executive board private
- Focus on non traditional export or Broad sector orientation
- Focus on firms with new products or entering new markets
(extensive margin)
- Focus on SME's (decreasing return to scale and negative marginal returns above certain budget level)
- Focus on both off-shore and on shore activities