AGRICULTURAL EXPORT PROMOTION PROGRAMS/ POLICIES AND THE WORLD TRADING SYSTEM

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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 AGIRCULTURAL EXPORTS

- Ag. Exports
- % Total 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
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

Parallel elimination of all forms of export subsidies by 2013 (HK Ministerial Declaration)

- Export subsidies
  Main issue – phasing

- Export credits
  Main issues – Duration and self-financing

- Exporting STEs
  Main issue – monopoly powers

- Food Aid
  Main issues – definition of safe box, monetisation

Source: RTPC-WTO
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
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
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, online 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

<table>
<thead>
<tr>
<th>Region</th>
<th>Additional exports for every 1$ in the EPA budget</th>
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<tbody>
<tr>
<td>Eastern Europe &amp; Asia</td>
<td>100</td>
</tr>
<tr>
<td>Latin America &amp; Caribbean</td>
<td>70</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>38</td>
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<td>OECD</td>
<td>5</td>
</tr>
<tr>
<td>MENA</td>
<td>-53</td>
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</tbody>
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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

Source: Hogan et et al. (cited in Lerdrman et al. 2010)
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